midf INVESTMENT midf RESEARCH

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1 July 2022

MALAYSIA EQUITY



A Question of Valuation

2HCY22 OUTLOOK

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EXECUTIVE SUMMARY

2QCY22 IN BRIEF

- Global equity indices ended 1HCY22 on a negative note as sentiments turned due to heightened fears of a US recession. Our expectation is that the US economy will skirt an outright recession, albeit with a high likelihood of a technical recession.
- The heightened recession fear in the US had led to a net outflow of -RM104.8m by foreign investors from our market in 2QCY22 (as at 27th June 2022). Nevertheless, we should note that Malaysia cumulative fund flow still remains positive and above the USD1b mark (RM6.46b).

NO CHANGE IN ECONOMIC OUTLOOK

- For 2HCY22, we opine domestic economic activities will continue to expand steadily particularly driven by higher consumer spending and business expenditure while external trade sector is forecasted to grow at solid pace underpin by elevated commodity prices and expansionary regional demand.
- We maintain our forecast for Malaysia's GDP growth at +6% for 2022.
- We raise our average CPI forecast to +2.8% for 2022 given the environment of elevated global commodity prices, where inflationary pressure in Malaysia is affected via higher food inflation.
- With the rising core inflation trend and stronger-than-expected domestic demand, we believe BNM will raise its OPR by +50bps in 2HCY22.
- Ringgit to appreciate towards RM4.25 by end-2022.

A QUESTION OF VALUATION - FBM KLCI 2022 TARGET REVISED TO 1,600

- Amid the backdrop of the mainly external headwinds, our baseline scenarios are such that, (i) the aggressive monetary policy tightening by the US Fed would not derail Malaysia's macro (as well as corporate earnings) recovery but may prove detriment to the valuation of risk assets, (ii) the ongoing Russia-Ukraine war to remain confined within the territory of Ukraine with manageable economic impact to the rest of the world, (iii) the authorities in China would continue to be pro-active in handling its economic situation and shall pull out all the monetary and fiscal stops to avoid a broader fallout thus limiting the risk of cross-border contagion, (iv) general election, if called, may not result in negative price action post-election, and (v) Covid-19 is a diminishing threat to the society and economy.
- With the economy and corporate earnings growth expectation remains intact, it may seem a bit perplexing that Malaysia's (and ASEAN peers) equities market continue to be sluggish. We believe that it boils down to valuation.
- Going forward, we expect the local equity market valuation to crawl higher from current levels in line the expectation of better earnings next year. However, it would remain rather depressed at below normal historical range due to (i) negative effect of US Fed aggressive tightening on world's financial liquidity, and (ii) higher risk attached to earnings forecasts. Therefore, we cut our FBM KLCI end-2022 target to 1,600 points (from 1,680 points) or PER22 of 15.5x.

1 July 2022

KLCI (30/6/2022) : 1,444.22
2022 TARGET : 1,600.0

SECTOR VIEW

POSITIVE	
Automotive	Banking
Construction	Consumer
Healthcare	Media
Oil and Gas	Plantation
REITS	Technology
NEUTRAL	
Gloves	Power
Property	Telecommunication
Transportation (Aviation, Ports and Logistics)	

TOP BUYS

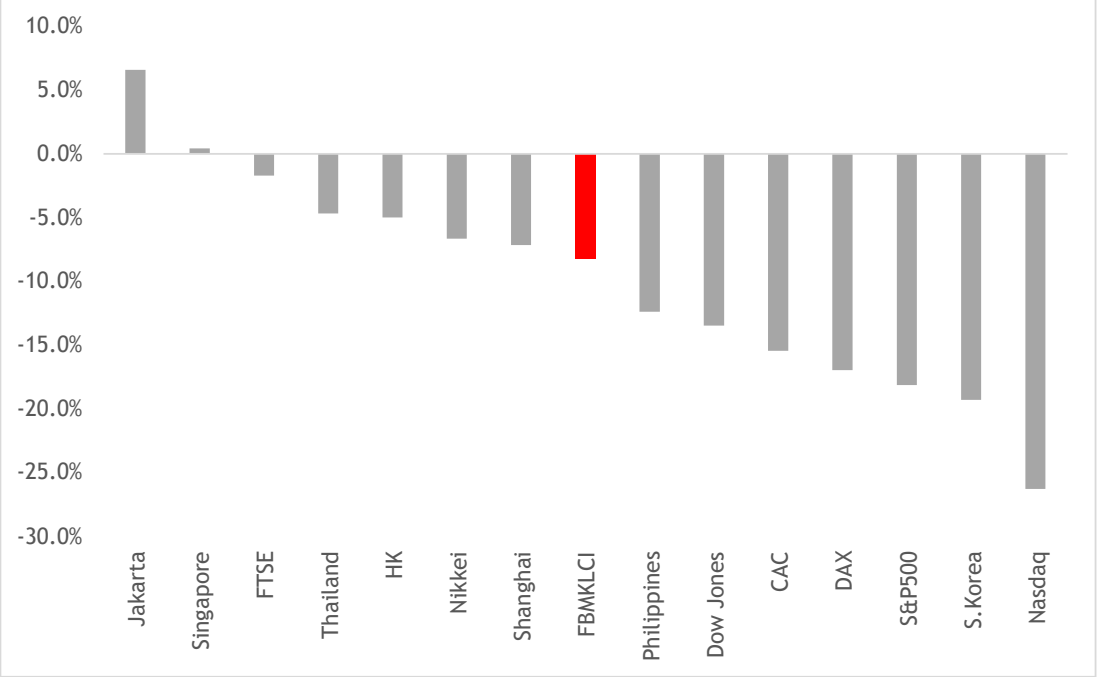
STOCK	Target Price (RM)	Total Return (%)
Dialog Group	3.96	87.9
Globetronics	2.00	74.6
KL Kepong	31.50	45.9
Inari Amertron	3.65	43.7
Petronas Chemicals	11.93	37.0
Bermaz Auto	2.20	34.4
RHB	7.13	31.5
IJM Corp	2.18	29.5
Hong Leong Bank	23.55	18.6
Gamuda	4.02	14.8

A. MARKET PERFORMANCE

I. MARKET PERFORMANCE

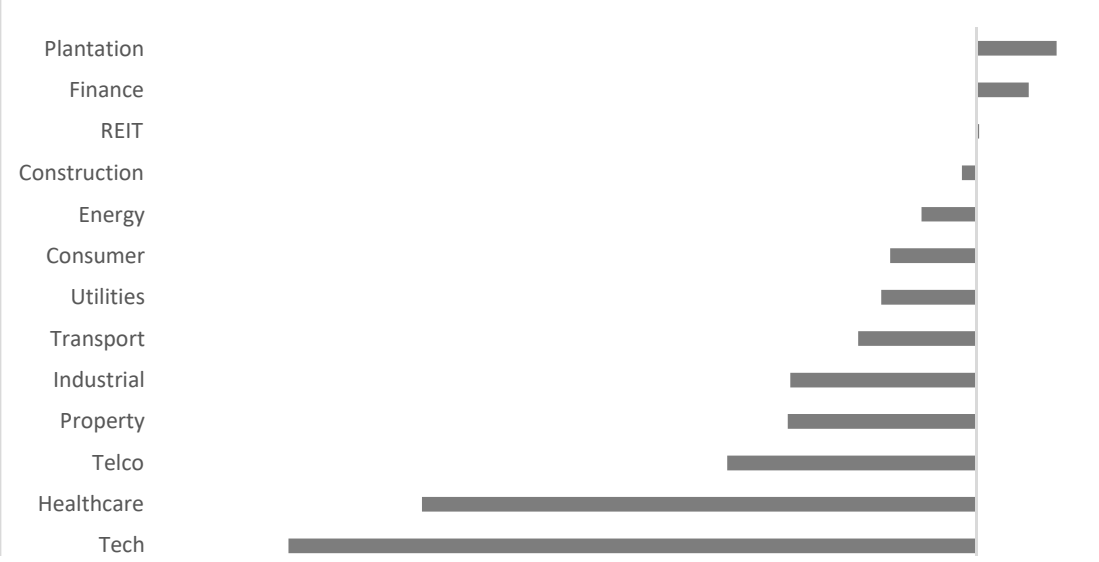
Reversal of fortune. Global equity indices ended 1HCY22 on a negative note as only two markets registered a positive year-to-date (YTD) performance. As of 27th June 2022, these were Jakarta Composite Index (+6.6%) and Singapore Strait Timex Index (+0.4%). Meanwhile, the FBM KLCI fell -8.3% to close 1,438.12, breaching the 1,500 mark on 10th June 2022. However, we should note that it was a global phenomenon led by the decline in the Wall Street. Nasdaq was the worst performer, declining -26.3%, while Dow Jones and S&P500 fell -13.5% and -18.2% respectively.

Chart 1: Comparison of Performance of FBMKLCI and Peers (YTD as at 27 June 2022)



Source: Bloomberg, MIDFR

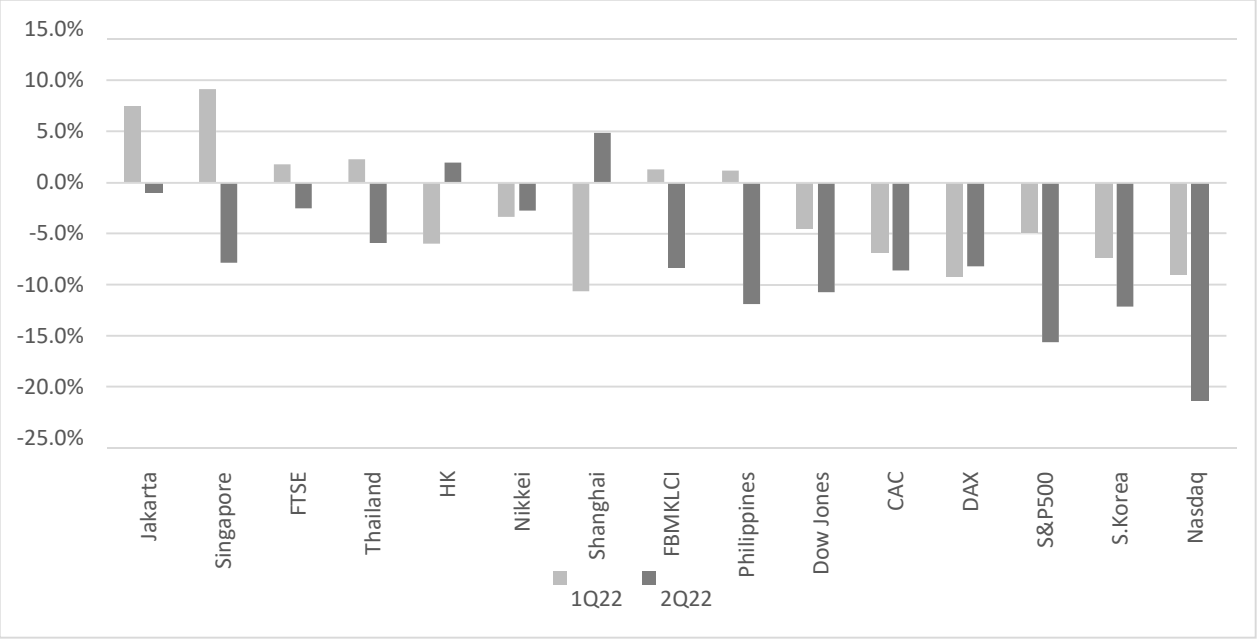
Chart 2: Comparison of Performance of Bursa Malaysia Sectoral Indices (YTD as at 27 June 2022)



Source: Bloomberg, MIDFR

Sentiment turned in 2QCY22. On a quarterly basis, we saw that global indices had a torrid 2QCY22 performance. The FBM KLCI closed 1QCY22 +1.3% higher but saw a reversal of -8.4% in 2QCY22 (as of 27th June 2022). Even Jakarta and Singapore were not spared as it ended lower by -1.1% and -7.9% respectively. Again, Wall Street led the decline as the Nasdaq, S&P500 and Dow Jones fell -21.4%, -15.6% and -10.8% respectively in the quarter.

Chart 3: Comparison of Quarterly Performance of FBMKLCI and Peers (YTD as at 27 June 2022)

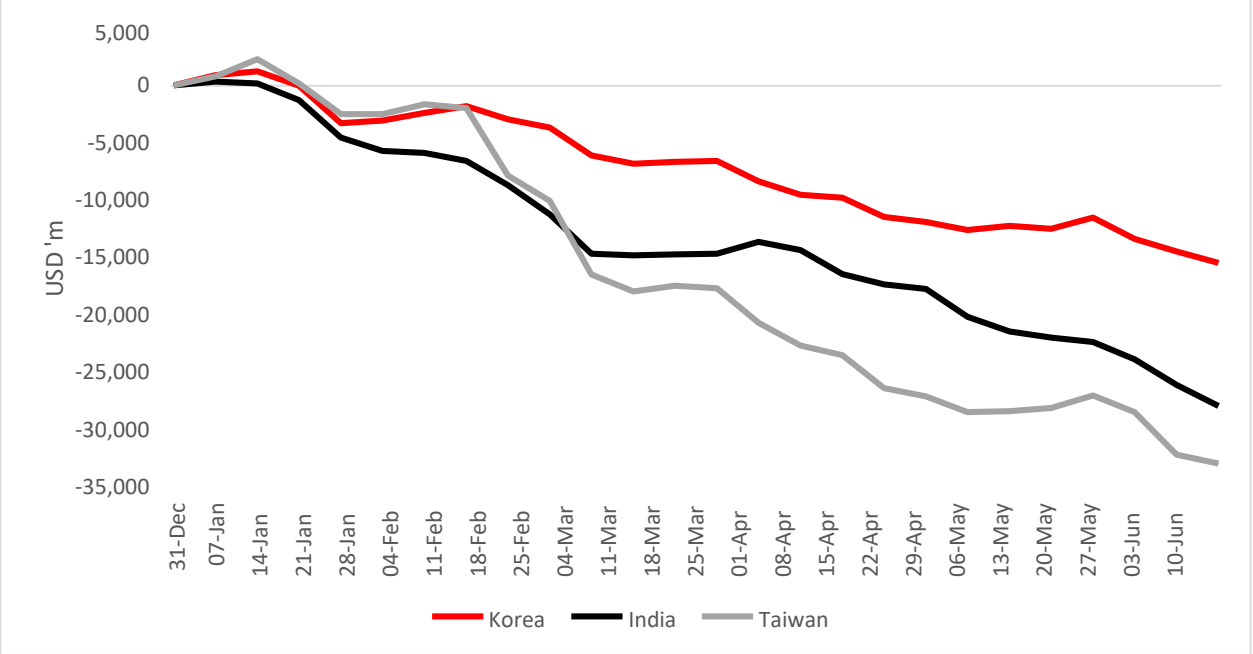


Source: Bloomberg, MIDFR

Fears of US recession to the fore. Main cause for the reversal of sentiment was the increase in expectation of a US recession stemming from an aggressive US Fed to contain its inflation. The market saw the US Fed hiking its Fed Fund Rate by +125bps (+50bps in May-22 and +75bps in June-22) with the hike in June-22 being more aggressive than anticipated. This led to heightened fears that the US economy will fall into a recession especially as another +200bps hike is expected in 2HCY22. However, there is no clear consensus on where the US economy will end up in 2022, either a recession or softer landing i.e. slower growth. Our expectation is that the US economy will skirt an outright recession, albeit with a high likelihood of a technical recession (two consecutive quarters of negative quarter-on-quarter growth). We base our expectation on the robust consumer spending which will slowdown but not stalled and its strong labour market.

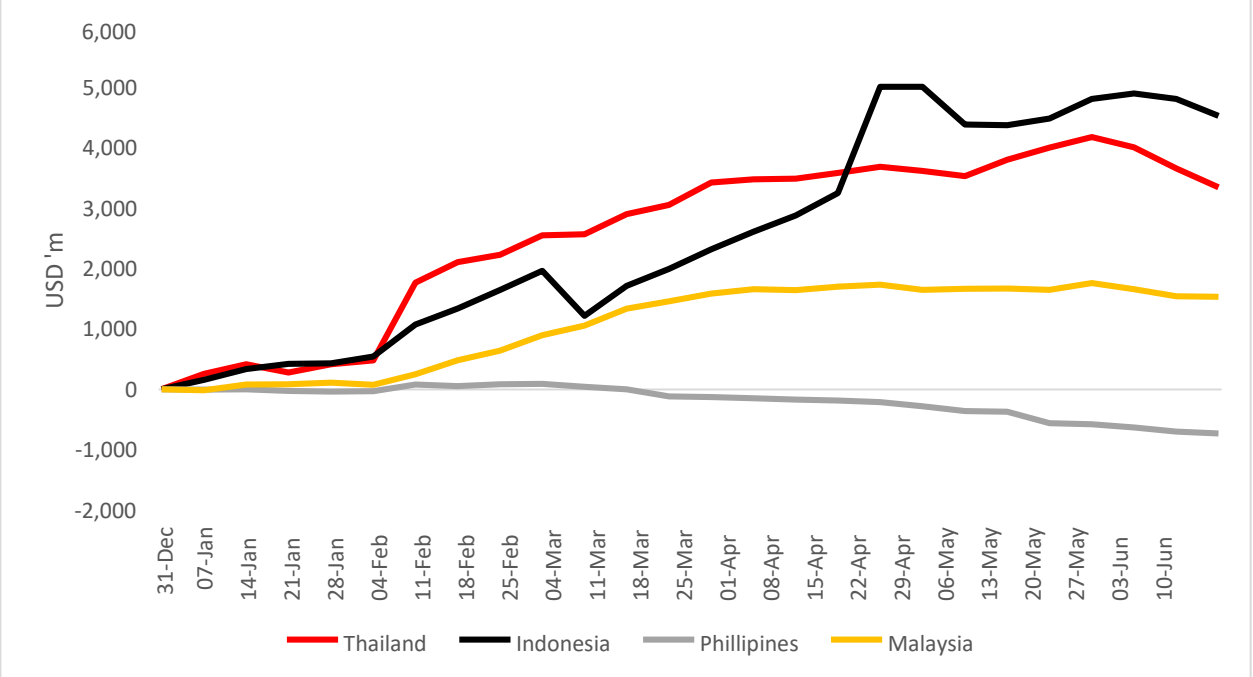
Foreign fund saw an outflow in the quarter. The heightened recession fear in the US had led to a net outflow of -RM104.8m by foreign investors from our market in 2QCY22 (as at 27th June 2022). However, this masked the magnitude of the net selling in June-22 where we saw a net outflow of -RM1.01b, in sync with the aggressive US Fed action and its impact to the global markets. Again, we are not unique here as the aggregate fund outflow from the 7 markets that we tracked amounted to -USD18.15b in the same month (as at 24th June 2022). Nevertheless, we should note that Malaysia cumulative fund flow still remains positive and above the USD1b mark (RM6.46b).

Chart 4: Weekly Cumulative Foreign Fund Flows (as at 24 June 2022)



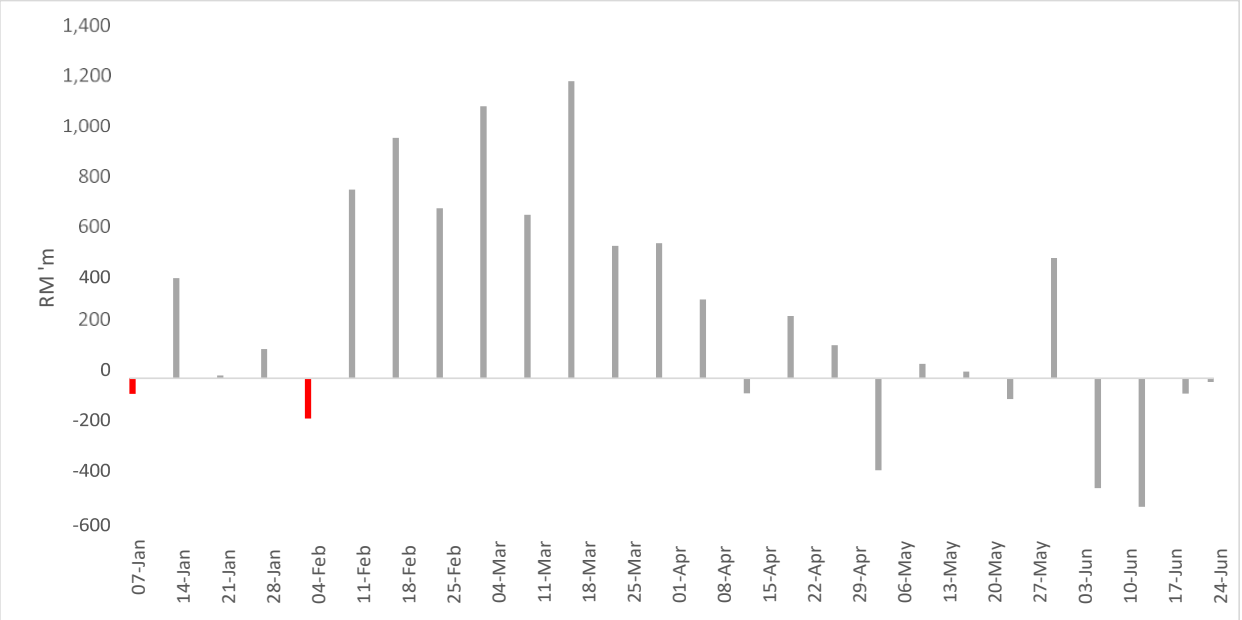
Source: Bloomberg, MIDFR

Chart 5: Weekly Cumulative Foreign Fund Flows - continued (as at 24 June 2022)



Source: Bloomberg, MIDFR

Chart 6: Weekly Foreign Fund Flows - Malaysia (YTD as at 28 June 2022)



Source: Bursa Malaysia, MIDFR

Update on Ukraine-Russia conflict. While 2QCY22 saw the markets more concerned about inflationary pressures, US Fed actions and recession fears, the Ukraine-Russia conflict continue to rage on for the fifth month. The initial phase of the conflict saw rapid invasion, have now turned to a battle of attrition, with Russia almost gaining in the Donbass region except for one city and forming a land bridge to Crimea. More sanctions by the US and EU have been added toward Russia but also has the unintended effect of fuelling inflation further. We reiterate our base scenario, which we believe the most probable to happen is that Russia will eventually occupy only the Donbas region. We also believe that NATO will likely not intervene militarily in Ukraine as it is not a member of NATO or its ally. Nevertheless, the main question is when will the conflict end. Some experts believe that the conflict may last years. In forming our view for 2HCY22, we are agnostic on the timeline or the outcome of the conflict. This is due to the fact, that in our opinion, the effect of the conflict will take some time to unravel and normalise.

What about Malaysia? We are cautiously optimistic of Malaysia's economic prospect and corporate earnings going into 2HCY22, despite the headwinds. This is due to the fact that Malaysia's economy is on recovery mode and benefitting from the high commodities prices, while most of the headwinds are towards the advanced economies. Inflationary pressure in Malaysia appears to be manageable due to subsidies, and the hike in rates by the US Fed have led to a recent downtrend in commodities prices. Meanwhile corporate earnings appear to be robust and is expected to remain so. Nevertheless, we recognize the downside risk such as the possibility of outright recession in the US and EU, slower than expected growth in China, and resurface of Covid-19 with a new variant amongst others.

A question of valuation. With the economy and corporate earnings growth expectation remains intact, it may seem a bit perplexing that Malaysia's (and ASEAN peers) equities market continue to be sluggish. We believe that it boils down to valuation. The valuation of the FBM KLCI is at 13.8x PER (at time of writing) which was seen during times of crisis or near-crisis. Hence, we opine the valuation of our market will be key to how it will perform going into 2HCY22, which we expect to recover from current levels given the robustness of Malaysia's macro picture and earnings.

II. ECONOMIC OUTLOOK

GLOBAL ECONOMY TO CONTINUE GROWING BUT WITH MORE UNCERTAINTIES

Sustained global growth but not as fast as previously anticipated. For this year, the global economy is projected to grow around +3.6%, returning to a more normal level after the strong +6.1% rebound last year. Improved access to vaccines and better public health allowed more countries to relax Covid-19 restrictions and move towards endemic phase, and we expect economic activities globally will continue to expand following the economic reopening. The Covid-19 infection from the Omicron variant has been milder, and therefore, for most countries, lockdowns are no longer needed. However, the pace of growth has been revised lower as the demand expansion will be affected by the high inflation and the negative effects from the ongoing conflict in Ukraine. In addition, the monetary policy tightening especially by major central banks will also cause growth to ease to keep inflation under control. Despite slower growth outlook, we opine the global economic activities and international trade will continue to grow in 2HCY22.

Several events put a drag on growth outlook. Global growth outlook has been revised lower following the events which occurred in 1HCY22. The Russia-Ukraine war, more aggressive tightening by the US Fed, zero-Covid policy and renewed Covid-19 lockdowns in China, and continued disruptions in the global supply chain are among developments which led to downward revisions to economic growth for this year. The tightness in the supply condition causes many countries becoming more concerned about the increasing inflationary pressures. The ongoing war in Ukraine and the sanctions on Russian oil resulted in the higher global commodity prices. On top of the price hike, the situation was exacerbated by higher cost to import, with currencies weakening against the US dollars as the Fed began to tighten its monetary policy quicker than previously expected.

Inflation is a greater concern. For many countries, inflation is trending upward due to the rise in food and energy prices. In particular, high cooking oil price, following the rise in palm oil and other vegetable oil prices, feed into rising cost for food production. Our in-house expectation for crude palm oil price to average higher this year at RM5,500 per tonne (2021: RM4,437/tonne). Meanwhile, sanctions imposed by Western countries on Russian oil, in response to the military aggression on Ukraine, has been one of the reasons for oil prices hovering at high levels, currently above USD100pb. We believe this global inflation will continue as the rise in energy prices will lead to increased transport and production costs for many sectors. We predict for the average price of Brent crude oil will increase to USD112pb in 2022 (2021: USD70.90pb). For commodity-producing countries, despite the gains from high commodity prices that will help to support trade and government income, inflation is also rising due to growing demand and higher cost to import.

Adjusting policy to contain inflationary pressures. The policy direction for monetary authorities has turned more hawkish this year because of the inflation concern. Strong demand recovery and tight supply condition have caused inflation in certain economies to jump to multi-year highs. The inflation outlook also worsened because of the jump in global commodity prices. On the back of sustained growth, this explains why monetary accommodativeness, previously introduced to revive and support growth after being hit by the global pandemic, is no longer necessary. We expect central banks will increase their benchmark interest rates to a more normal level and continue to tighten their monetary policy in the latter part of the year especially if inflation continues to trend higher. We also expect there will be other policy measures from the governments will also help to address rising inflation, but weak fiscal position would limit any potential large-scale fiscal measures.

Risks remain on the downside. In terms of risks to growth outlook, growth outlook could be dragged down by several downside risks. The ongoing war and the uncertainty in Ukraine as well as the continued supply tightness will keep commodity prices and inflation at high levels. This will likely prompt countries to take more aggressive action in tightening their policy to minimize supply-demand imbalance. Meanwhile, there is heightened concern over possible recession because the policy tightening by central banks could cause growth to slow sharply. Other downside risks to global growth outlook include slowdown in China, prolonged disruption in the global supply chain, escalation of geo-political risks, and potential resurgence of Covid-19. Although Covid-19 has been less of a concern going into this year, but new variant could emerge and increase the chance for tighter restrictions if it comes with more severe infection.

Table 1: Central Bank Policy Rate by Selected Economies (%)

	OCT-21	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22
MALAYSIA	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.00	2.00
INDONESIA	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
PHILIPPINES	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.25	2.25
THAILAND	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
VIETNAM	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
SOUTH KOREA	0.75	1.00	1.00	1.25	1.25	1.25	1.50	1.75	1.75
INDIA	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.40	4.90
JAPAN	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	0.10	0.10	0.25	0.25	0.50	0.75	0.75	1.00	1.25
EURO AREA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
USA	0.00-0.25	0.00-0.25	0.00-0.25	0.00-0.25	0.00-0.25	0.25-0.50	0.25-0.50	0.75-1.00	1.50-1.75

Source: Bloomberg, MIDFR

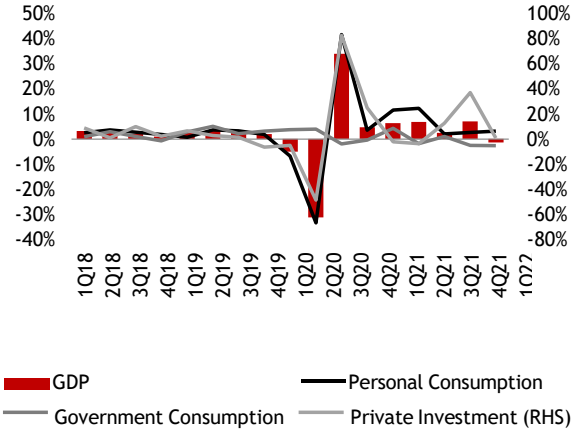
US: AGGRESSIVE POLICY TIGHTENING TO CONTINUE TO TACKLE INFLATION

Rising consumption to support US growth. In the US, economic growth is expected to be more moderate after the strong rebound last year. The pullback in policy supports will result in slower growth as part of the policy actions to ease demand pressure on inflation. As a result, the US GDP may grow at a slower pace, likely around 2%, this year (2021: +5.7%). We expect consumer spending will continue to drive economic growth in the latter part of the year, although the rise in borrowing cost and high inflation will affect consumers' sentiment and their spending plans. Prospects for business activities in the US will remain positive as firms will continue to increase its production to meet with growing demand, despite challenges from rising costs and shortages of materials and workers.

Stubbornly high inflation makes Fed more hawkish. High inflation remains the major downside risk in the US because the rise in commodity prices, particularly oil prices, caused the average gasoline prices rising to a new high of USD5 per gallon in Jun-22. On the other hand, the aggressive tightening by the Fed, however, raises the concern about possible recession in the US. The Fed intends to see slower demand to help bring down the multi-year high inflation in the US, and this will involve adjustment in consumer spending as well as the job market. Apart from the higher cost of borrowing, other risks to the US growth sustainability include supply constraints (such as shortages of raw materials and labour), prolonged disruption in the global supply chain, and the uncertainty from the ongoing war in Ukraine.

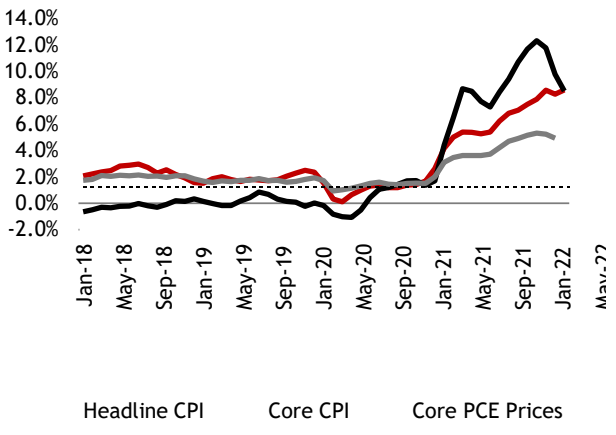
Can there be a soft landing? Fed policymakers stressed on the need for it to remain hawkish until inflation starts to go down. However, there are growing concerns that the US economy will experience another recession. Demand could weaken larger than expected in response to the sharp rise in borrowing costs. The Fed itself predicts the policy direction will not be adjusted until there is a clear sign of decelerating inflation. Moreover, the Fed also projects the US labour market will need to adjust because rising wages, on the back of strong labour demand vis-à-vis shortage of labour, also add to the price pressures. As a result, the Fed foresees the labour market adjustment will cause US jobless rate to increase in the coming years. With GDP having contracted by annualized -1.5%qoq in 1QCY22 and another contraction in 2QCY22 is expected, the US economy will therefore be in a technical recession in 1HCY22. As the Fed remains committed to its hawkish stance, we are concerned that the aggressive policy tightening increases the risk of recession especially if sentiment and growth momentum weakened further in the latter part of the year.

Chart 7: US GDP by Demand Side (Annualised QoQ%)



Source: CEIC, MIDFR

Chart 8: US: CPI and PCE Inflation (%)



Source: Macrobond, MIDFR

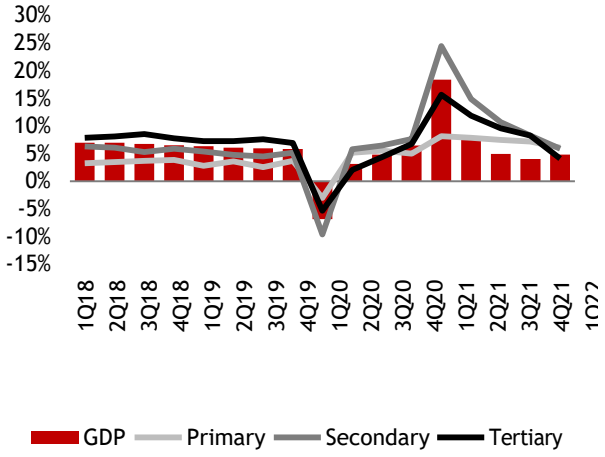
CHINA: THE NEGATIVE EFFECTS OF LOCKDOWN AND THE ZERO-COVID POLICY

Covid-19 and lockdown weighed down on growth. Following the imposition of lockdown and continued adoption of zero-Covid policy, China's economic growth is projected to moderate to +4.4% this year (2021: +8.1%). Growth will be particularly hit especially by the slowdown in 2QCY22, although major city like Shanghai has already reopens its economy after the recent lockdown. Latest indicators showed consumer spending weakened in March-May 2022 as consumer activities were negatively impacted by the lockdown and the rise in Covid-19 infections. Industrial production, on the other hand, declined in Apr-22 as the Covid-19 curbs and other supply constraints disrupted factory activities in China. Momentum of growth is expected to pick up going into the latter half of 2022 as lockdown restrictions have been eased, although concern over Covid-19 infections will continue to weigh down on near-term growth outlook.

Business activities still growing. While the lockdown and rise in Covid-19 cases had caused weaker consumer spending, the effect to the businesses was not as significant. Industrial production only declined (-2.9%yoy) in Apr-22 but managed to bounce back to positive growth (+0.7%yoy) in May-22. China's manufacturing activities did not slow further in May-22 as the manufacturing PMI rebound closer to 50. However, the services PMI remained below 50 despite registering higher reading than May-22, but this reflects a slower recovery in the services sector due to continued weakness in consumption activities. Businesses in China also faced challenges from supply disruptions, rising costs of materials, and logistic issues. These are in addition to the negative effects from lockdown and Covid-19 restrictions.

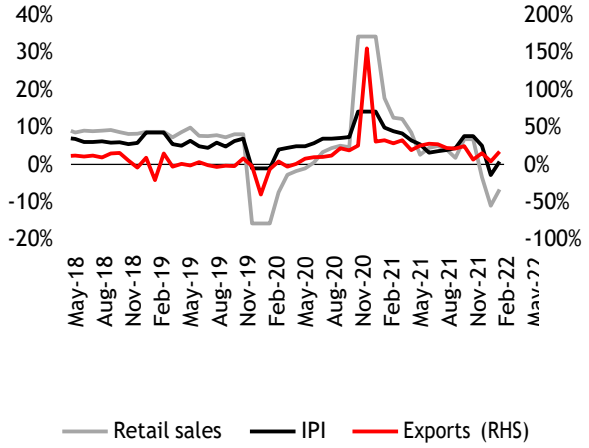
Expect more policy support. Even before the lockdown in 2QCY22, China's economy is projected to slow as the previous policy crackdown led to weaker housing market activities. The slowdown in property market still remains a factor that will drag down China's growth this year. In addition, the resurgence of Covid-19 infections and renewed lockdown led to greater concern over slowing growth this year. Weaker activities and therefore slower growth in 2QCY22 will make it difficult for China to achieve its +5.5% official growth target. We expect China's government will consider more policy supports to promote stronger growth in the economy.

Chart 9: China GDP by Industry (YoY%)



Source: CEIC, MIDFR

Chart 10: China: Retail Sales, IPI and Exports (YoY%)



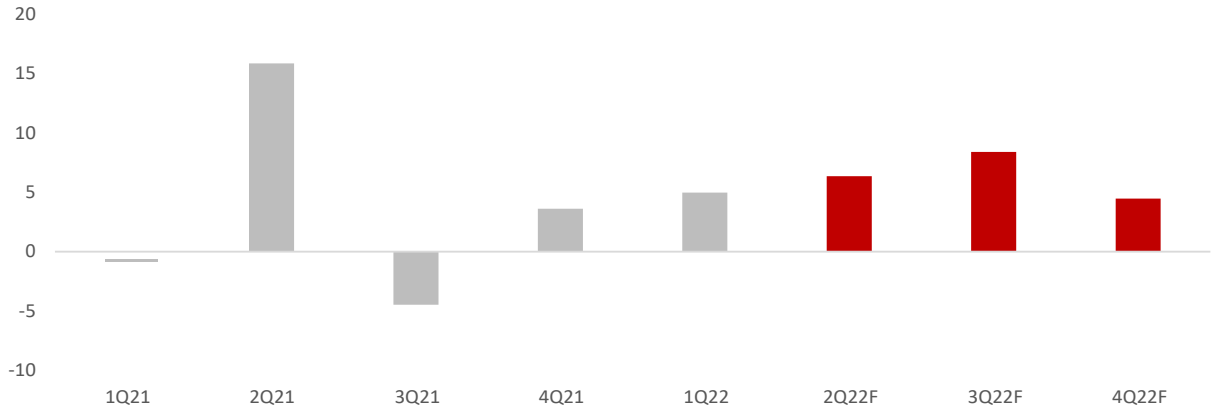
Source: CEIC, MIDFR

MALAYSIA'S ECONOMY ON FIRM GROUND

GDP growth on track to achieving +6.0%. For 2HCY22, we opine domestic economic activities will continue to expand steadily particularly driven by higher consumer spending and business expenditure. In addition, Malaysia's external trade sector is forecasted to grow at solid pace underpin by elevated commodity prices and expansionary regional demand. We maintain our forecast for Malaysia's GDP growth at +6% for 2022 (2021: +3.1%). On our quarterly forecast, we project GDP growth to record at +6.4%yoy in 2QCY22, +8.4%yoy in 3QCY22 and normalise to +4.5%yoy in the final quarter. With the reopening of international borders and sanguine labour market, we predict private consumption and services sector to improve strongly this year at +7.2%yoy. As for investment activities, we expect total investment to record positive growth of +13.3%yoy after three-consecutive years since 2019 registering contraction rate. By sector, we are optimistic on primary sectors namely agriculture and mining to perform better this year following the uptrend in global commodity prices. Manufacturing sector to remain expansionary path despite of external headwind while construction to rebound firmly, thanks to domestic economy reopening.

Robust external trade performance despite headwind. While the moderation in the external trade has been in line with our expectations, the pace of growth for both exports and imports in 5MCY22 was stronger than projected. As a result, we revise our growth projection higher for both exports and imports to +16.9% (Initial forecast: +7.8%) and +19.2% (Initial forecast: +9.6%) respectively for 2022. After strong growth last year, we opine that the growth rate will moderate this year due to the diminishing low-base effect. Overall, we expect growing foreign demand for E&E and commodities, especially palm oil, LNG and crude petroleum will further support expansion in exports in 2HCY22. However, downside risks on the external sector remain in radar especially possible lockdown in China's cities, escalation of Russia-Ukraine conflict and tepid global demand due to inflation risk and tightening monetary policies.

Chart 11: Real GDP Forecast (YoY%)



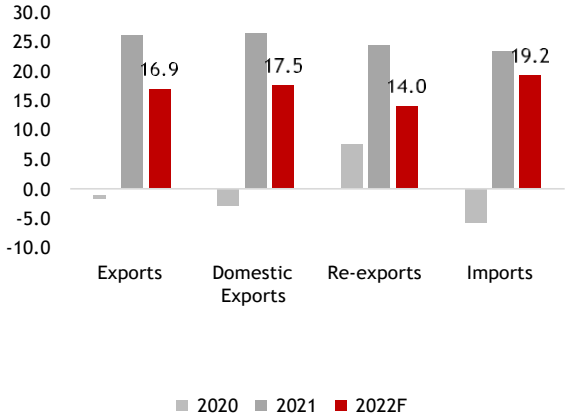
Source: CEIC, MIDFR

Chart 12: Robust External Trade (YoY%)



Source: CEIC, MIDFR

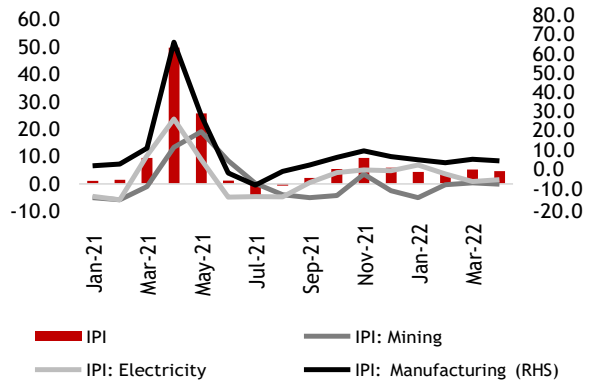
Chart 13: Exports Fob Forecast (YoY%)



Source: CEIC, MIDFR

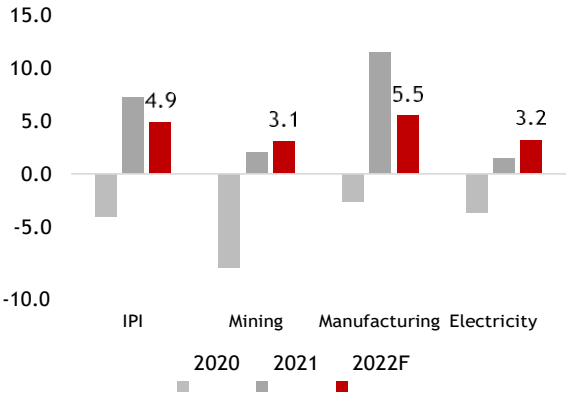
Mining output to catch-up in 2HCY22. We upgrade our overall IPI forecast from +4.3% to +4.9% for 2022, driven by sturdy expansion in factory output and rebound in mining production. As of 4MCY22, IPI growth at +4.5%yoy while manufacturing output rose by +6.3%yoy and electricity up by +3.2%yoy. Mining output remained in contractionary -1.3%yoy, mainly dragged down by crude petroleum. Moving into 2HCY22, we foresee solid rebound in mining output, influenced by elevated energy prices. We predict mining output to increase by +3.1%yoy for 2022 (2021: +2.0%).

Chart 14: IPI Performances (YoY%)



Source: CEIC, MIDFR

Chart 15: IPI Forecast (YoY%)



Source: CEIC, MIDFR

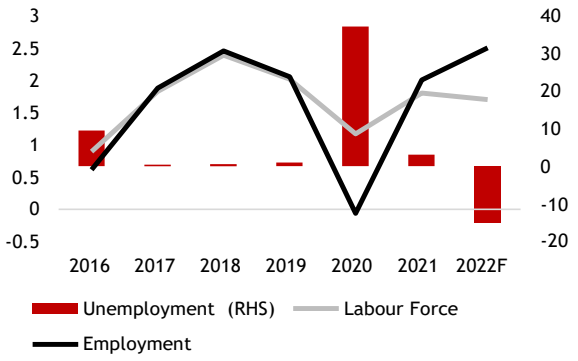
Jobless rate forecast lower at 3.8% for 2022. Labour market in Malaysia is expected to strengthen further in 2HCY22 underpin by upbeat momentum in domestic economy and steady expansion in external sector. In addition, we foresee slight improvement of non-citizen hiring. Employment of the workers had declined by -1.8% in 2020 and -2.9% in 2021 which brought to total of more than 100K leaving the workforce due to the pandemic. Non-citizen worker constitutes about 10% of Malaysia's working population. Underpin by domestic reopening and strong economic fundamentals, Malaysia's unemployment rate is projected to trend lower this year to 3.8% in 2022 from 4.6% in 2021. However, the projected jobless rate is still higher than pre-pandemic's 3.4%. Employment growth forecasted at +2.5% (2021: +2.0%) while unemployment to shrink by -15.0% this year (2021: +3.0%). As of 4MCY22, employment growth at +3.0%yoy and unemployment fell by -12.6%yoy.

Chart 16: Unemployment Rate vs Vacancy Rate (%)



Source: CEIC, MIDFR

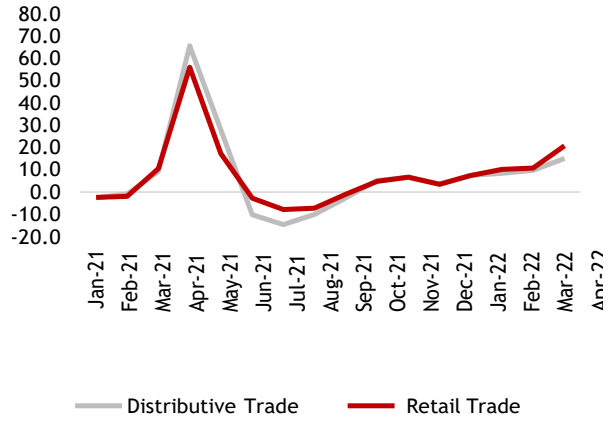
Chart 17: Labour Market Forecast (YoY%)



Source: CEIC, MIDFR

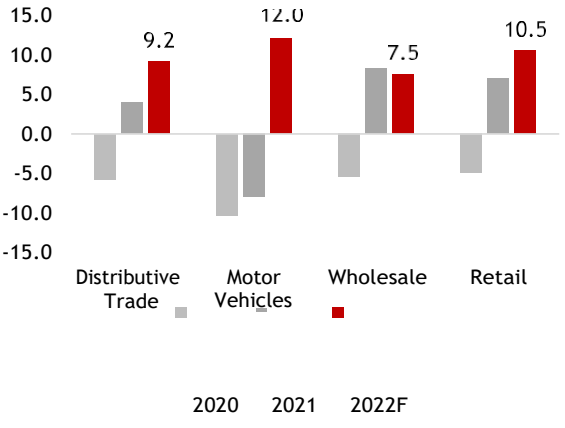
Consumer spending on revenge mode. Malaysia's consumer spending is expanding strongly as reflected in retail trade sales growth of +12.3%yoy in 4MCY22. Underpin by improving labour market, stable inflationary pressure and fiscal incentives, private consumption is projected to grow by +7.2% for 2022, rebound from +1.9% in 2021 and -4.2% in 2020. We believe the pent-up demand will continue until end of this year provided that no significant change in overall inflationary pressure. With the reopening of international borders, tourism activity will improve modestly yet still below pre-pandemic levels.

Chart 18: Distributive Trade Sales, DT (YoY%)



Source: CEIC, MIDFR

Chart 19: Consumer Spending Forecast (YoY%)

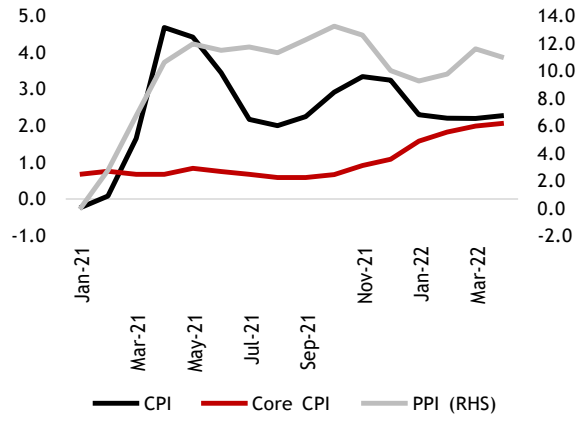


Source: CEIC, MIDFR

Food inflation spike against subsidized fuel prices. The effect of food inflation spike has been cushioned by the steady fuel inflation pace. As the government cap retail fuel prices of RON95 and Diesel at current levels, we do not expect overall inflation rate in Malaysia to surpass +3.0% this year. As mentioned in our thematic report Quantifying Fuel Subsidy Removal Effects, headline inflation would only average at +3.0% if food CPI grows at average of +5.0% in 2022. Nevertheless, food inflation spike remains a concern given that it hit more than a decade high at +5.4%yoy in May-22.

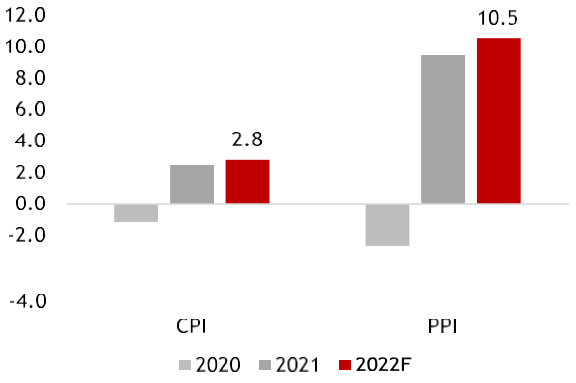
We raise our average CPI forecast to +2.8% for 2022. In the environment of elevated global commodity prices, inflationary pressure in Malaysia is affected via higher food inflation. We expect food price growthto record at +4.5% this year (Initial estimate: +3.5%) among others attributed by removal of subsidies on several food items. As for fuel subsidy, we believe the government to maintain current mechanism at least until end of this year. With domestic demand firming, we upgrade our headline CPI forecast slightly by +0.3% point to +2.8% for 2022.

Chart 20: CPI vs PPI Inflation (YoY%)



Source: CEIC, MIDFR

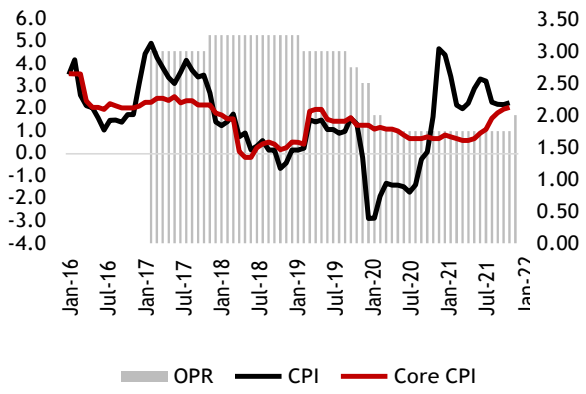
Chart 21: Inflation Forecast (YoY%)



Source: CEIC, MIDFR

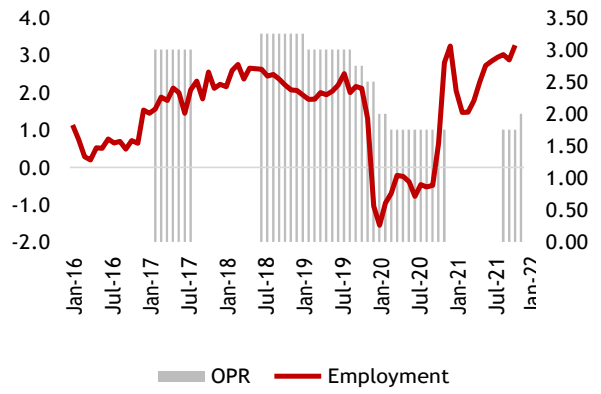
50bps in 2HCY22 amid stronger-than-expected domestic demand. We believe the current focus of BNM's monetary policy setting is to ensure a sustainable recovery of Malaysia's economy. With the rising core inflation trend and stronger-than-expected domestic demand, we believe BNM will raise its OPR by +50bps in 2HCY22. At this point, we expect the policy normalisation will likely be carried out in July-22 and Sep-22 MPC meetings. However, the decision will be subject to the stability of economic growth, the pace of price increases and further improvement in macroeconomic conditions, particularly a continued recovery in the labour market and growing domestic demand. From a medium-term perspective, the policy rate normalisation is needed to avert risks that could destabilize the future economic outlook such as persistently high inflation and a further rise in household indebtedness.

Chart 22: Inflation (YoY%) vs OPR (%)



Source: CEIC, MIDFR

Chart 23: Employment (YoY%) vs OPR (%)



Source: CEIC, MIDFR

USDMYR to reach RM4.25 by end-2022. As the Federal Reserves opted for aggressive tightening monetary policy, USD appreciates stronger. Against the green-back currency, average MYR is expected to weaken from RM4.15 per USD1 last year to RM4.28 in 2022. However, MYR performed better than other major currencies as of 5MCY22. For instance, MYR gained +8.4% against JPY, +5.4% against EUR, +3.0% against AUD and +1.7% against GBP. Fundamentally, MYR is in good position as domestic economy stays on upbeat momentum and as net exporter of crude petroleum, LNG and palm oil, Malaysia stands to benefit from the elevated global commodity prices.

Uncertainty over GE15. Despite of solid economic fundamentals, weakening of MYRUSD could be attributed by the uncertainty of GE15. We opine that GE15 will be held before Oct-22 or next year as early as Jan-23. Once the Budget 2023 presented in Oct-22, the parliamentary process would take at least one month and a half to complete until final approval. Based on current food prices concern, we believe GE15 will be held next year as the government is predicted to enhance and expand inflation mitigation strategies in the upcoming budget.

Table 2: MIDF Research Macroeconomic Forecast Figures for 2022 (%)

(YoY%) Unless Stated Otherwise	2018	2019	2020	2021	2022f
Real GDP	4.8	4.4	(5.5)	3.1	6.0
Govt. Consumption	3.4	1.5	5.0	5.3	4.5
Private Consumption	8.0	7.7	(4.2)	1.9	7.2
Gross Fixed Capital Formation	1.4	(2.1)	(14.4)	(0.9)	13.3
Govt. Investment	(4.5)	(9.6)	(21.3)	(10.0)	4.5
Private Investment	4.8	2.7	(12.0)	4.0	6.3
Exports of goods & services	1.9	(1.0)	(8.6)	15.4	9.3
Imports of goods & services	1.5	(2.4)	(7.9)	17.7	11.5
Net Exports	6.2	11.2	(13.7)	(4.1)	(14.2)
Agriculture etc.	0.1	1.9	(2.4)	(0.2)	3.0
Mining & Quarrying	(2.2)	(0.6)	(9.7)	0.3	1.6
Manufacturing	5.0	3.8	(2.7)	9.5	6.1
Construction	4.2	0.4	(19.3)	(5.3)	1.5
Services	6.9	6.2	(5.4)	1.9	7.2
Exports of Goods (f.o.b)	7.3	(0.8)	(1.1)	26.0	16.9
Imports of Goods (c.i.f)	5.2	(3.5)	(5.8)	23.3	19.2
Trade Balance	123.8	145.7	183.3	252.6	271.9
Current Account - %of GDP	2.2	3.5	4.2	3.8	3.9
Fiscal Balance - % of GDP	(3.8)	(3.4)	(7.0)	(6.6)	(6.1)
Federal Government Debt - % of GDP	51.2	52.5	62.0	63.4	62.3
	2018	**2019**	**2020**	**2021**	**2022f**
Unemployment Rate (%)	3.4	3.3	3.3	4.6	3.8
Headline CPI Inflation (%)	1.0	0.7	(1.1)	2.5	2.8
Brent Crude Oil (Avg, USD per barrel	71.6	64.3	43.3	70.9	112.0
Crude Palm Oil (Avg), MYR per tonne	2,320	2,079	2,781	4,437	5,500
USD/MYR (Avg)	4.00	4.14	4.20	4.14	4.28
USD/MYR (End-period)	4.10	4.09	4.02	4.17	4.25
Overnight Policy Rate (%)	3.25	3.00	1.75	1.75	2.50

III. MARKET OUTLOOK

Factors that would affect the market. As per our second quarter outlook report dated 1 April 2022, we listed down five factors that would affect the local equity market amid the backdrop of Malaysia's macro recovery. Going into 3QCY22, all the five factors remain albeit adding heightened risk of US recession into the interest rate equation. These are:

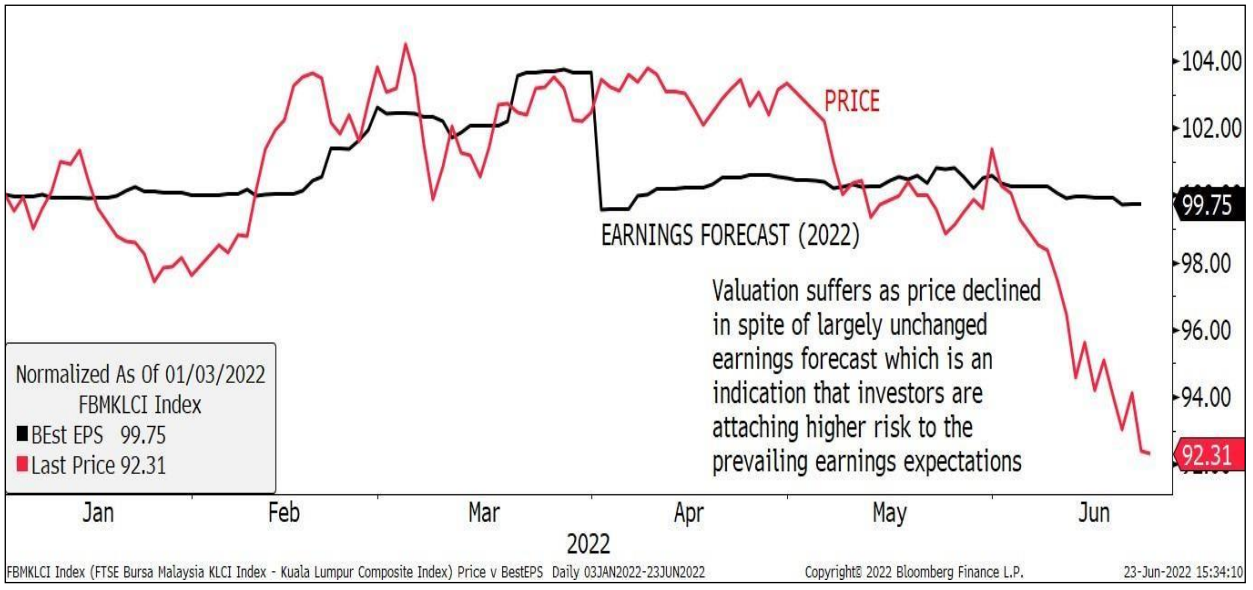
1) Risk of US recession due to rapid interest rate hikes
2) The Russia-Ukraine war
3) China economic conditions
4) GE15
5) Waning threat of Covid-19

RECESSION RISK DUE TO RAPID INTEREST RATE HIKES

Wary of US recession... US economic growth fell -1.5%qoq in the first quarter of this year, its first negative growth since the second quarter of 2020. Moreover, the US economy is arguably on the verge of technical recession (i.e. 2 consecutive quarters of negative sequential growth) as the 2QCY22 sequential growth estimate has been falling and is now (as of 16 June) expected to register zero growth. Meanwhile, the risk of an outright recession in the US, while not yet imminent, is rising due to the increasingly hawkish US Fed.

…engendered by rapid monetary tightening. The inflationary pressure which was initially characterized as transitory is now proved more entrenched. The above expected May CPI figures were arguably the wake-up call for the US Fed to be more aggressive. Hence, a 75bps hike promptly ensued. However, the US Fed hawkish action and forward guidance are raising the spectre of a possible recession.

Chart 24: FBM KLCI: Relative Performance of Price versus Earnings Forecast



Source: Bloomberg, MIDFR (G688)

Rising rates negative on assets valuation. The recent 75bps interest rate hike may not be the last. The US Fed is indicating a slew of aggressive interest rate hikes to tame inflation. Consequently, rapidly rising cost of capital could eventually suppress demand in the real economy. Meanwhile, in the financial economy, higher required return would swiftly engender a negative bearing on the valuation of risk assets. Thus, the impact on equity prices is rather perturbing as investors precipitous reactions to the latter factor can be seen from recent market performance across the globe. The local market was not spared, as there is an old saying: "When Wall Street sneezes, the rest of the world catches a cold."

PER of FBM KLCI saw knee-jerk drop to below 14x. In June 2022, the FBM KLCI slumped to levels last seen in May 2020. However, the consensus earnings forecast for 2022 remains largely unchanged thus far. Therefore, the PER of FBM KLCI dropped to 13.8x which is a deep discount to its 5-year average of 16.2x. Alternatively, we can read this as a signal that investors are now attaching a higher risk to the prevailing earnings expectations.

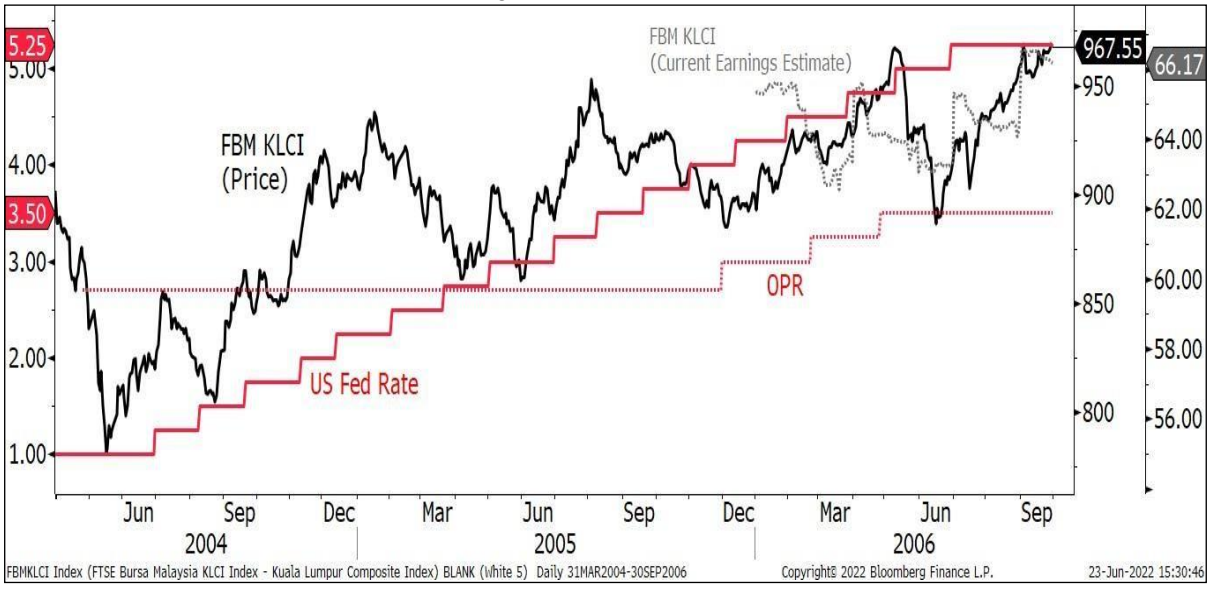
Table 3: FBM KLCI Historical & Forward Earnings

Calendar Year	Earnings (Points)	YoY (%change)
CY2023 (F)	115.21	11.37
CY2022 (E)	103.45	-0.89
CY2021	104.38	46.76
CY2020	71.13	-20.67
CY2019	89.66	-5.62
CY2018	95.00	-11.96

Source: Bloomberg, MIDFR

Expect gentler tightening in Malaysia… Foremost to note, the inflation figures in Malaysia are markedly lower than in the US. Accordingly, the magnitude of monetary tightening by the BNM is expected to be considerably gentler. It must be highlighted that a comparable situation occurred in 2004/06 with the US Fed hiking its policy rate 17 times totalling 425bps to 5.25% while the BNM raised its OPR by merely 3 times totalling 80bps to 3.50%.

Chart 25: 2004/06: FBM KLCI Price & Earnings vis-à-vis US Fed & BNM Rate Hikes



Source: Bloomberg, MIDFR (G670)

…while macro recovery remains on track. Against the backdrop of rising recession risk in the US, we expect Malaysia's macro recovery to remain on track. Therefore, our economics team is keeping our GDP growth estimate at 6.0% in 2022. Moreover, our preliminary forecast suggests output growth to moderate but continued rising at circa 4.5-5.0% in 2023. Along with the expectation of continued macro recovery, the market consensus is also forecasting the FBM KLCI to register +11.4%yoy earnings growth in 2023.

Keep our eyes peeled on earnings... Based on historical data, the trend trajectory of equity prices was more correlated to the underlying corporate earnings performance, even against the backdrop of rising interest rates. As empirically proven during the period of rapidly rising US interest rates in 2004/06 (i.e. 17 rate hikes totalling 425bps within a span 25 months), the FBM KLCI remained on an upward price trajectory. The upward price trajectory was supported by positive underlying earnings performance which registered a 3-year CAGR of +21.38% from 2004 to 2006.

…despite intermittent bouts of short-term price volatility. Having said the above, going forward, we can expect more intermittent knee-jerk market price movements in reaction to US Fed ongoing actions and communications pertaining to its future course of monetary policy. Nevertheless, bear in mind that the mid-to-secular price trajectory of the FBM KLCI would likely correspond to the underlying earnings performance of its constituents amid the sporadic bouts of short-term price volatility.

RUSSIA-UKRAINE WAR

Contained theatre of war… The ongoing Russia-Ukraine war is expected to stay as that, an invasion by Russian military forces on Ukraine territory. Hence, the conflict is not foreseen to spread to other countries in the region. Moreover, despite the heavy financial and trade sanctions imposed on Russia by the United States, the European Union and some of their allies, the economic blowbacks are expected to vary from country to country depending on the level of their bilateral trades as well as the ability to re-channel trades.

…with equally contained economic fallout. The overall impact to the world's economy is nonetheless expected to be manageable for as long as the theatre of war remains confined to within the borders of Ukraine. At this juncture, we believe this war would not materially derail Malaysia's economic recovery narrative, and likewise the improvement in corporate earnings.

CHINA ECONOMY

2022 growth may disappoint official target… Recently, China's President Xi Jinping remarked on June 22 that "We will step up macroeconomic policy adjustment, and adopt more forceful measures to deliver the economic and social development goals for the whole year and minimize the impact of Covid-19," The official GDP growth forecast for this year still stands at around 5.5%. However, the market currently expects a sizably lower figure at around 3.5% partly due to stringent Covid-19 controls which restricted business activity in the last few months. Moreover, the property market, a key pillar to its economy, is anticipated to worsen according to a Reuters poll in May.

…but authorities would spare nothing to deter broader fallout. Going forward, the world's equity market may intermittently be beleaguered by worries over contagion risk of further weakness in China economy. Nonetheless, we believe the authorities in China would stand ready to inject the necessary amount of liquidity (both monetary and fiscal) to avoid a broader fallout thus limiting, at least in the short-term, the risk of cross-sectoral as well as cross-border contagion.

GE15

Election soon? In the aftermath of consecutive state election victories by the Barisan Nasional and its allies last year and early this year, we reckon there is a fair likelihood that the country may be heading to the national polls in the second half of this year.

Major price action, if any, would come after GE15... The conventional wisdom was that our market would get excited with the mere mention of a general election. However, ever since GE12 in 2008, the major price action (either up or down) generally manifested not before but after the election results. Recall that the market staged a selloff post-GE12 in 2008 (when the incumbent lost two-third majority), a relief rally post-GE13 in 2013 (when the incumbent managed to retain simple majority) and a selloff post-GE14 in 2018 (when the incumbent finally lost). We believe investors are now more concerned about the resultant (political, societal, and economic) stability post-election, and less on pre-election goodies and promises.

…with either neutral or positive outcome. During the past two years, the successive central governments have not been too stable (both being coalition of coalitions) with razor-thin majority in parliament. Hence, the country is approaching the next general election under a situation of rather high political fluidity. Nevertheless, we reckon the probable outcome of GE15 would be either neutral (i.e. another razor-thin majority government), or positive (i.e. a more stable majority government) to the country. Meanwhile, the possibility of a hung parliament is likely avoided with the YDP Agong as the final arbiter with constitutional power to appoint a PM from among the MPs who he believes command majority support of the MPs.

Possibly positive. Outwardly, the recent state elections in Melaka, Sarawak and Johor are pointing towards a more stable majority government post-GE15. Nonetheless, the situation at national level is more complex and fluid according to some political watchers. However, either way, we believe the impact of upcoming GE15 on the equity market would be either neutral or positive.

COVID-19

Not over yet, but a waning threat. It is not over yet, but Covid-19 is a diminishing threat to the society and economy. During the past 3 months, the number of daily infections as well as deaths continued to show declining/flattening trend. Moreover, based on recent economic data, we are seeing improvements in Malaysia's macro performance concurrent with the opening of international borders and further upliftment to the remaining requirements/restrictions beginning 1 April this year. This would also likely be mirrored in better corporate earnings performance thenceforth.

FBM KLCI END-2022 BASELINE TARGET

Baseline scenarios. Amid the backdrop of the mainly external headwinds, our baseline scenarios are such that,

(i) the aggressive monetary policy tightening by the US Fed would not derail Malaysia's macro (as well as corporate earnings) recovery but may prove detriment to the valuation of risk assets,

(ii) the ongoing Russia-Ukraine war to remain confined within the territory of Ukraine with manageable economic impact to the rest of the world,

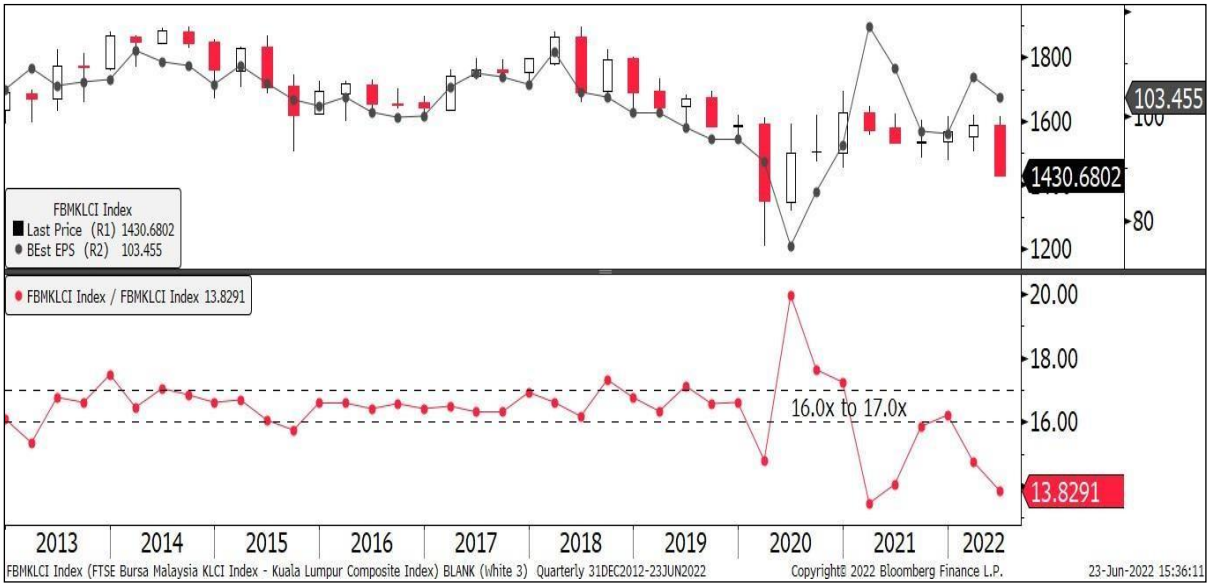
(iii) the authorities in China would continue to be pro-active in handling its economic situation and shall pull out all the monetary and fiscal stops to avoid a broader fallout thus limiting the risk of cross-border contagion,

(iv) general election, if called, may not result in negative price action post-election, and

(v) Covid-19 is a diminishing threat to the society and economy,

Valuation to remain depressed at below normal historical range. Hence, we foresee a situation where by the local equity market valuation remains rather depressed at below normal historical range due to the consequence of US Fed aggressive tightening on world's financial liquidity. Additionally, equity valuation could also be impacted by higher risk attached to earnings forecasts corresponding to heightened macro uncertainty.

Chart 26: FBM KLCI: Price, Earnings & Valuation (Current Year) - 16.0x to 17.0x



Source: Bloomberg, MIDFR (G658)

Empirically between 16-17x. The FBM KLCI normally traded at between 16.0x to 17.0x current year earnings. Accordingly, the end-2022 target point (based on the latest CY22 earnings of 103.45 points) should range at between 1,655 points to 1,759 points. However, at the time of writing, the FBM KLCI is trading at 1,431 points or PER22 of 13.8x.

Cut FBM KLCI end-2022 target to 1,600 points (from 1,680 points) or PER22 of 15.5x. Going forward, we expect the local equity market valuation to crawl higher from current levels in line the expectation of better earnings next year. However, it would remain rather depressed at below normal historical range due to (i) negative effect of US Fed aggressive tightening on world's financial liquidity, and (ii) higher risk attached to earnings forecasts. Therefore, we cut our FBM KLCI end-2022 target to 1,600 points (from 1,680 points) or PER22 of 15.5x.

IV. STOCK SELECTION

Cautiously optimistic. Despite the headwinds and downside risk to the global equity market, we are still cautiously optimistic. We remain sanguine on the recovery of the economy and corporate earnings. Meanwhile, we expect valuation of our equity market will recover in 2HCY22.

Some thematic play. Since we are expecting the economy will continue to be robust in 2HCY22, we believe that stocks with ties to economic performance will likely benefit the most such as banking. Nevertheless, we are fully aware of possible short term downside risk. We also believe that the construction sector is worth a look, despite the building material cost headwinds. This stems from our view that the upcoming award of MRT3 tenders, which is only six months from now, is expected to turn things up a notch for the

construction space, together with other potential infrastructure jobs. In addition, we continue to like the commodities sector in particular Oil & Gas given we expect oil prices to remain elevated.

No changes to sector calls. We made no changes to our sector calls. The summary of our sector calls are as follows;

POSITIVE : Automotive, Banking, Construction, Consumer, Healthcare, Oil & Gas, Plantations, Technology, Media, REITS

NEUTRAL : Gloves, Power, Property, Telecommunication, Transportation (Aviation, Ports & Logistics)

Top ten picks reflect our view. We remain sanguine on the economic prospect especially with the reopening of the economy, while commodity players will also benefit from the elevated commodities prices. Meanwhile, with the upcoming award of MRT3 tenders, we opine may generate some feel-good factor for the construction sector. Hence, we replace MBM Resources with Gamuda. Our top ten stock picks are as follows:

Table 4: Top Stock Picks (Rank by total return)

	Rec.	Price (RM) @ 30/6	Target Price	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Dialog Group	BUY	2.13	3.96	85.90%	2.00%	87.90%	4	No
Globetronics	BUY	1.20	2.00	66.70%	7.90%	74.60%	3	No
KL Kepong	BUY	21.94	31.50	43.60%	2.30%	45.90%	4	Yes
Inari Amertron	BUY	2.64	3.65	38.30%	5.40%	43.70%	4	Yes
Petronas Chemicals	BUY	9.00	11.93	32.60%	4.40%	37.00%	4	Yes
Bermaz Auto	BUY	1.70	2.20	29.40%	4.90%	34.40%	4	Yes
RHB	BUY	5.73	7.13	24.40%	7.10%	31.50%	4	Yes
IJM Corp	BUY	1.73	2.18	26.00%	3.50%	29.50%	4	No
Hong Leong Bank	BUY	20.46	23.55	15.10%	3.50%	18.60%	4	Yes
Gamuda	BUY	3.58	4.02	12.30%	2.50%	14.80%	2	No

Source: Companies, Bursa Malaysia, FTSE, MIDFR

B. SECTORS OUTLOOK

I. AUTOMOTIVE

Sustained momentum moving into 2HCY22 ..... Maintain POSITIVE

Leeway despite tax holiday expiry. The Ministry of Finance (MoF) announced recently that while the SST waiver will end as scheduled on 30th June 2022, vehicle bookings up till 30th June 2022 will continue to be exempted provided registrations are completed by March 2023. In our opinion, this is a positive development for the sector as it provides room to accommodate the industry's stretched outstanding bookings which has been impacted by component delays and shortages. Ultimately, the favourable decision reduces the risk of order cancellation, allowing the strong TIV momentum to carry over into 2HCY22.

Strong sales visibility moving into 2HCY22. Prior to the MoF's announcement, industry players were already sitting on strong outstanding bookings of 5-6 months. Meanwhile, according to the MOF's estimates, total outstanding industry bookings stand at 264K units, which is equivalent to around 5 months of TIV. This number could rise further up till 30th June as consumers rush to put in bookings in order to qualify for the tax holiday. The strong order bank pretty much secures sales volumes till year-end, providing strong visibility to TIV moving into the 2HCY22.

Buying valuable time before the transition to underlying demand. More importantly, the leeway given for the tax holiday essentially buys more time for the sector before it transitions to actual underlying demand from an artificially driven one during the tax holiday period. Provided underlying macro recovery continues to gain traction into 2023, particularly in regard to real income and employment, we would expect a smooth transition out of the tax holiday period when the SST-exempted bookings are exhausted by March 2023.

Earnings expectations are already conservative. As it is, earnings expectations are already very conservative. Firstly, this is seen by the solid outperformance of key auto stocks in the past two quarters which have triggered upward consensus earnings revisions. Secondly, prior to the MoF's announcement, consensus (including us) would have factored in a softening both in terms of volumes and margins for 2H2CY2 given expectations of the tax holiday expiry on 30th June 2022. In contrast, what actually transpired was a leeway for registrations of tax holiday-qualified bookings till early next year which, given the magnitude of outstanding booking, means that 2HCY22 TIV momentum will likely sustain, while expectations of margin contraction on the original assumption that industry players will subsidise SST cost for bookings made prior to 30th June may turn out to be too conservative. Underpinning this, the latest year-to-date May-22 headline TIV of +266K (+7.4%ytd) remains ahead of our expectation, accounting for 46% of our full year 2022 forecast of 575K units.

Valuations remain well below historical mean. From a valuation standpoint, most of the auto stocks under our coverage are still trading at around 20%-30% below mean levels despite the earnings outperformance in recent quarters. Specifically, Bermaz Auto is currently trading at 10x FY23F PER (FYE April) vs. historical mean of 15x (a 32% discount), UMW Holdings is trading at 12.7x FY22F PER vs. historical mean of 18x (a 30% discount) while MBM Resources is trading at 6x FY22F PER vs. historical mean of 8x (a 22% discount).

Inflation and a weaker Ringgit. Selective players under our coverage are impacted by a stronger USD vs. the Ringgit namely UMW Holdings and TanChong. The former's exposure is somewhat diluted given exposure to multiple sectors beyond autos. Industry players have indicated of the intention to pass through higher input cost (should principals decide to raise pricing of CKD kits) and the impact of a weaker Ringgit in order to protect margins. To manoeuvre this, we anticipate the non-nationals to be in a better position to pass on incremental cost relative to national cars given that the latter typically entails a price sensitive customer profile. Having said that, order cancellations due to a hike in car pricing, if any, is likely to remain manageable in our view. This is due to the fact that current bookings are essentially 'discounted' given the SST-exemption and a decision to delay purchases will result in consumers paying even higher prices once the vehicle SST returns. Secondly, the impact of an increase in car prices to consumers is diluted as it is spread over the Hire Purchase tenure of up to 9 years, in contrast to

small-ticket consumer discretionary products which are one-shot purchases.

We remain POSITIVE on the auto sector premised on: (i) Strong visibility moving into 2H22 underpinned by a large order backlog, (ii) An already conservative earnings expectations factored in by the market, (iii) Depressed valuations at 20%-30% below mean, (iv) Sustained recovery in income and employment conditions. **BAuto (BUY, TP: RM2.20)** and **UMW (BUY, TP: RM4.35)** are our top sector picks. Key risks to our call are further lockdowns, a worse than expected supply chain disruption, a prolonged spike in inflation and a weaker Ringgit.

II. BANKING

OPR hikes, lower credits costs to offset headwinds ..... Maintain POSITIVE

NIMs to benefit from normalisation of OPR. Our economics team expects 2 further OPR hikes in 2HCY22, bringing CY22 total hike to +75bps. Furthermore, our economics team expects 2 additional OPR hikes (total of +50bps) in CY23. Rate hikes are positive for bank NIMs, through the form of higher variable-rate lending rate. In contrast, funding costs (i.e. deposit rates) generally take longer to normalise (3-6 months). These are expected to offset the negative effects of depositors turning towards time deposits from CASA, resulting in intensifying deposit competition and higher cost of funds. We are not expecting the full effects of the +75bps on 2022 NIMs, given that expected rate hikes will likely be staggered toward the year's end. We expect CY23's earnings, on the other hand, would more accurately reflect the positive benefits of the NIM expansion.

Weaker NOII trend expected to continue. Poor marked-to-market (MTM) performances are expected to continue in coming quarters, due to rising bond yields. However, note that 3-year MGS yields are currently c.+140bps higher than the OPR, well above the pre-pandemic average of +25bps. This indicates that future OPR hikes are possibly already priced in: as a result, further MTM losses could be much milder than forecasted. Aside from that, recession fears, market volatility and a poor economic outlook would likely further weigh down on stockbroking and fee income.

Loan growth to moderate after strong 1HCY22. We view lackluster industry loan applications [Apr-22: -0.5%yoy] as early signs of loan growth cooling within the medium term. The upcoming expiry for SST exemption on private vehicle purchase (end-June) and the end of the Home Ownership campaign (end-Dec-21) are expected to have a negative effect on residential mortgages and vehicle loans respectively. On a macroeconomic front, expectations of faster normalisation of the OPR and poorer consumer sentiment stemming from inflationary pressures are likely to contribute towards further moderation of loans growth from the strong performance in 1HCY22. Nonetheless, we maintain our previously conservative industry loan growth forecast of 5.0% in CY22.

Sector to maintain provisions. System GIL ratio was at a manageable 1.57% in Apr-22. Following the expiry of the PEMULIH programme, banks have reported minimal borrowers missing repayment assistance (RA) loan payments, most of which belonging in the low to mid-single digit as a percentage of initial RA loans. Note that non-repayment figures may also be artificially elevated by tighter cash flow requirements during festive periods. In terms of major O&G players' credit-worthiness, we are not expecting major chunky provisions as large as previous quarters', given the heavy provisioning made on the sector in CY21.

The sector has accumulated substantial pre-emptive buffers to weather the additional strain of rate hikes, inflationary pressures and commodity volatility on asset quality. Thus, we are not expecting any major provisions from 2HCY22 onward, limiting any potential downside risks on 2022-2023 earnings. However, we do expect major credit writebacks to be pushed back until 2HCY23, as result of some uncertainty in the macroeconomic outlook.

Core drivers outweigh headwinds. The banking industry is likely to see hiccups in the form of industry loan growth slowdown, lackluster NOII performances and asset-quality risks of RA loans and O&G players.

Nevertheless, we maintain our POSITIVE call on the banking sector, as industry earnings are set to benefit from OPR hikes improving NII and lower credit costs in 2022.

Our top picks include **Hong Leong Bank (BUY, TP: RM23.55)** and **RHB (BUY, TP: RM7.13)**. We favour Hong Leong Bank due to its asset quality, cost-to-income ratio, net credit costs and ROE being well ahead of the industry average, as well as its stake in the Bank of Chengdu acting as a core drive of growth. In RHB's case, we can look to high dividend yields of 6.1% (end-Dec CET-1 of 17.2% is highest amongst industry peers, offering significant headroom), above industry-average loan growth, as well as higher impact from OPR hikes relative to big-capped domestic peers (3-4bps full-year NIM benefit for every +25bps).

III. CONSTRUCTION

Recovery thesis intact despite cost headwinds ..... Maintain POSITIVE

Headwinds of spiking costs. Our economics team forecasted a growth of +1.5% for the construction sector GDP in CY22, a modest rebound following two years of contraction amidst the impact of spiking raw material costs that may curtail the positive momentum of the sector. The latest Building Material Cost Index (BCI) without steel bars for building and structural works by DOSM showed an increase of between +5.4% and +14.6% for all building categories in May in the Peninsula while that in Sarawak saw an increase of between +4.9% and +12%. The average prices for steel itself was up about 19%yoy in May. We note that prices of materials such as cement, bricks and steel have been on the rise almost every month since 2021.

Margins protection. Conventional wisdom would suggest that such factors would compress the margins of construction players as building material costs usually take up 30% to 40% of project costs but from what we have gathered, prices at current levels are still manageable as construction companies are able to mitigate this impact with the completion of other projects and with recalibration of margins. That being said, if the cost headwinds persist, the impact on bottom line performances are inevitable but we remain comforted as YAB Prime Minister Datuk Seri Ismail Sabri Yaakob has recently directed government agencies to intervene and control the rising prices and to expedite the implementation of development projects. We also understand that newer contracts have some forms of variation-of-price (VOP) clauses, which allows part of the additional cost to be passed on to the clients, therefore providing some protection to the margins of construction firms. We will only start to see normalising prices when the supply and demand of the raw materials gradually returns to normal, which is still unpredictable at the moment, mainly due to the ongoing Russia-Ukraine crisis. Note that both countries used to produce about 5% of steel globally and Ukraine is among the top exporters of iron and steel.

MRT3 tender awards. The tracks are laid for a much-needed excitement in 2HCY22 with the mega packages of MRT3 expected to be awarded in 4QCY22. We have estimated that these three packages, namely CMC301, CMC302 and CMC303, will have project values of RM2.79b, RM13.94b and RM14.29b. Note that there will be upfront financing requirements for the initial two years, worth at least 10% of the contract value, before reimbursement from the Government through deferred payments kick in in the third year. This would require those bidding for the tenders to have strong balance sheets, such as **Gamuda (BUY: RM4.02)**, **IJM Corp (BUY, TP: RM2.18)** and **Sunway Construction (BUY, TP: RM1.87)**, which are among our favourites.

Impending rollout of infrastructure projects. We hold on to our view that the revival of MRT3 has injected much optimism into the sector which catalyses the rollout of infrastructure projects and other potential revival of mega projects. Going by media reports, the Government has given approvals in principle for the construction for the Petaling Jaya Dispersal Elevated Highway (PJD Link), Putrajaya-Bangi Expressway (PBE) and the Kuala Lumpur Northern Dispersal Expressway (KL-NODE). There are also talks of a 64km highway from Gopeng to Kuala Kangsar, which was approved by the Perak Government. These are large projects that would aid in the revival of the sector, although we opine more clarity is needed on the timelines.

Making inroads overseas. As mentioned in our previous outlook, we continue to favour companies with exposure to projects overseas as a means of diversification rather than being solely exposed to the Malaysia construction scene. Just recently, one of our top picks Gamuda (BUY: RM4.02), clinched a RM4.14b highway project, the Coffs Harbour Bypass in Australia in a 50:50 JV arrangement, which will see an expected revenue of RM2.07b over a span of five years. Recall that earlier this year, the group won the Sydney Metro West (SMW) – Western Tunneling Package Project and the Defu Station and Tunnels in Singapore, with contract values of AUD2.16b (approximately RM6.5b) and SGD467m (approximately RM1.45b). Sunway Construction (BUY, TP: RM1.87) has ongoing highway projects in India while IJM Corp (BUY, TP: RM2.18) has just launched its 110km Solapur-Bijapur tollway in India. For our smaller cap pick, we like **Pintaras Jaya (BUY, TP: RM3.14)**, which derives about 80% of its revenue from Singapore. We believe it is well established to ride the uptrend of Singapore's construction sector, of which its demand is expected to grow +12% and +23.6% in CY22 until CY26.

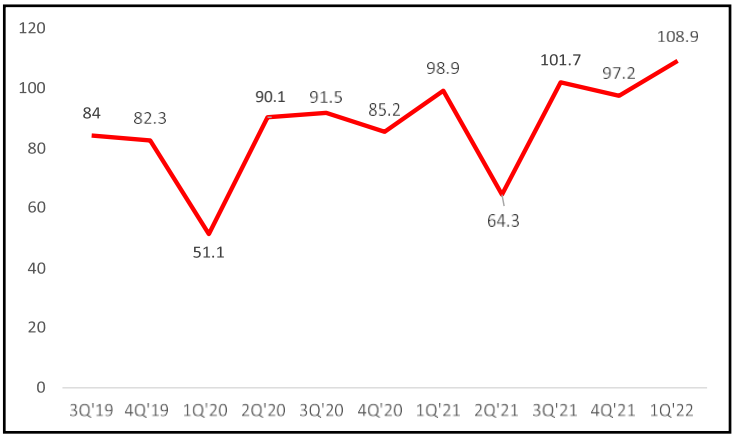
Recommendation. We have a **POSITIVE** recommendation on the construction sector, despite the building material cost headwinds, as we believe that the upcoming award of MRT3 tenders, which is only six months from now, is expected to turn things up a notch for the construction space, together with other potential infrastructure jobs. Our top picks are **Gamuda (BUY: RM4.02)**, **IJM Corp (BUY, TP: RM2.18)** and **Sunway Construction (BUY, TP: RM1.87)**, being the potential front runners of the MRT3 contracts and due to their strong balance sheets, which will augur well for them to secure new highway projects, in line with the Government's new stance of requiring concession companies to fully bear the project costs and risks without financial assistance from the Government

IV. CONSUMER

Cautiously optimistic ..... Maintain POSITIVE

Sanguine outlook on consumer spending. Based on the latest data from the Malaysian Institute of Economic Research (MIER), the Consumer Sentiment Index (CSI) for 1QCY22 grew +11.7 points to end the quarter at 108.9 points, a conclusive reversal against reading of 97.2 in 4QCY21 as well as 98.9 registered in 1QCY21. The positive sentiment was led by improving income and job prospects. This was attested by the firm improvement in the unemployment rate (April 2022: 3.9%; March 2022: 4.0%; April 2021: 5.0%). The Government's efforts to boost the economy by promoting "JaminanKerja initiative" would help to increase private consumption and boost domestic demand. Throughout the MYSTEP initiative, there are 80,000 contract employment opportunities, with 50,000 in the public sector and 30,000 in Government Linked Companies (GLCs). Moreover, we opine that i) the final EPF withdrawal of up to RM10k per person, ii) rise in the minimum wage by 25% to RM1500/month, and iii) Bantuan Keluarga Malaysia (BKM) cash assistance will aid in the improvement of consumer spending in 2HCY22. However, this possible upside could be dampened by the reduction of purchasing power due to rising inflation rate.

Chart 27: MIER quarterly consumer sentiment index



Source: MIER, MIDFR

Inflation risk. According to DOSM's latest result for May 2022, food inflation continued to rise to 5.2%, the highest since November 2011. In order to manage their bottom lines, the F&B and retail players will most likely pass on higher input costs to the consumers. Given the current economic climate, we anticipate that price-sensitive buyers will shift to more affordable brands that fit their budget. Moving forward, our economics team estimate that headline inflation will be higher in CY22 due to the abolishment of subsidies on certain products.

Removal of subsidies for poultry industry. Wheat, corn, and soybean prices have risen significantly since February due to supply disruption concerns related to the Russia-Ukraine war. Since the beginning of the conflict, the selected commodities namely wheat, corn, and soybean have increased by +87%, +22% and +11% respectively. Domestically, the government subsidies to chicken breeders to cushion the impact of rising cost would end on 30th June 2022. The government's decision to end such policy will have an impact on the poultry industry's bottom line. However, the Government has decided to set a new ceiling price for chicken to RM9.40, an increase of 50cents from the previous ceiling price. As a result, we opine that industry players like **QL Resources (BUY, TP: RM5.54)** and **Leong Hup International Berhad (NEUTRAL, TP: RM0.47)** will be facing some difficulties with their margins moving forward.

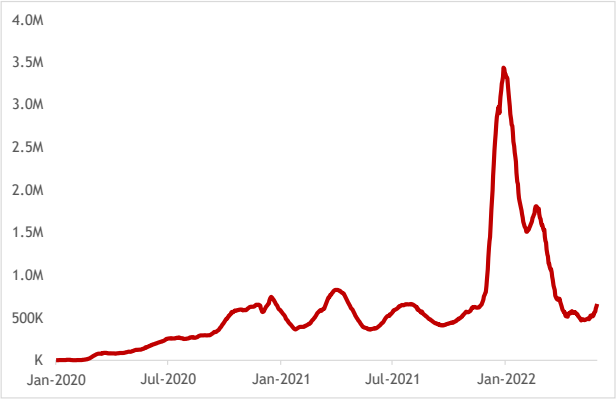
Maintain POSITIVE. We posit that the shift to endemic stage, re-opening of borders and high vaccination rates bode well for the consumer sector. We are also positive on the sector's performance for 2HCY22 in light with the upcoming festive season, school holidays and recovering tourism activities. For the retail segment, our top pick is **Fraser & Neave Holdings Berhad (BUY, TP: RM30.91)** as we believe that its plans to focus on exports for both F&B Malaysia and Thailand markets as a hedge against financial disruption caused by the Covid-19 pandemic would augur well for the company. We also have BUY calls for **AEON Co. (TP: RM1.79)** due to their effective business strategies and cost restructuring structure, as well as for **Spritzer (TP: RM2.57)** and **Asia File (TP: RM2.37).** Meanwhile, we are NEUTRAL on **Nestle (TP: RM141.50)** and **Padini (TP: RM3.00).**

V. HEALTHCARE

Return of non-Covid consumers to boost performance ..... Maintain POSITIVE

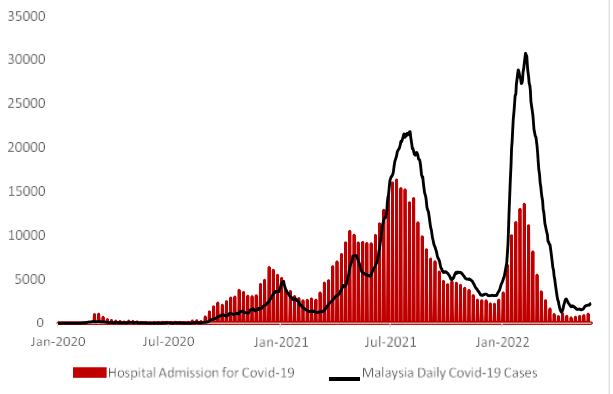
Covid-19 not fully out of the decks. Globally, Covid-19 cases had been decreasing by -80.8% since the onset of Omicron in Jan-22; verifying the facts that Omicron was not deadly as Delta, despite its quicker and widespread transmission (see Chart 1). Parallelly, Malaysia had seen a decrease in Covid-19 cases by -92.9% since the Omicron peak in Mar-22 to 2,250 cases per day, albeit an increase of hospital admission for the treatment for the virus by +69.6% since the lowest peak in May-22 to 1,034 admission per week (see Chart 2). As of writing, there are 28,010 of active cases recorded in Malaysia. While the danger of the pandemic had nearly diminished with the successful vaccination campaign since mid-CY20 (83.5% of the population had received two doses, while 49.4% received booster shots), the uncertainty of the endemic as a whole still remain. While we believe the economic impact of Covid-19 will not carry on into 2HCY22, cases may continue to add up in numbers as long as booster shots by population does not reach over 60%.

Chart 28: Global Covid-19 Daily New Cases



Source: Macrobond, MIDFR

Chart 29: Malaysia Covid-19 Cases and Hospital Admission

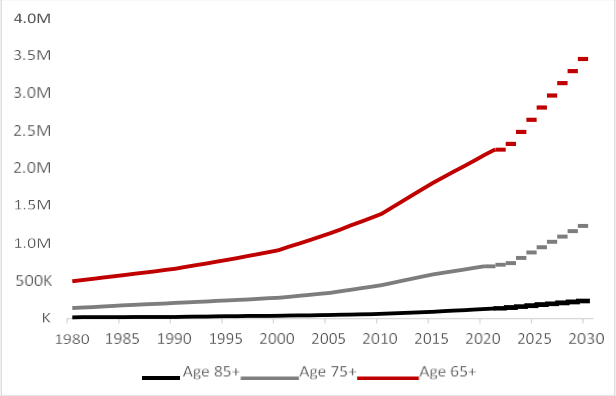


Source: Macrobond, MIDFR

NCD continue to feed BOR. As of writing, the bed occupancyrate (BOR) in Malaysia is reported at 65.2% occupancy, with ICUs utilized at 61.4% and ventilators at 37%. Out of the total BOR, Covid-19 only consisted of 3.7%, with ICU and ventilators making up less than 0.2% utilization. This is due to: (i) decreasing Covid-19 cases after the vaccination rollouts since mid-CY22, (ii) full reopening of interstate and international borders in Apr CY22, (iii) returning of medical tourists, and (iv) advancement of digital healthcare. Additionally, global aging population is expected to project into an upward trend, with elderly people aged 65+ expected to reach almost 1.2 billion by 2030 (see Chart 3). In Malaysia, it is projected that the aging population to increase +56% or by 3.6 million by 2030. We opine that non-communicable diseases (NCD) will continue to increase in tandem with the aging population projection; contributing to the increase admission, diagnostics and treatments, henceforth the BOR and hospital profitability in 2HCY22.

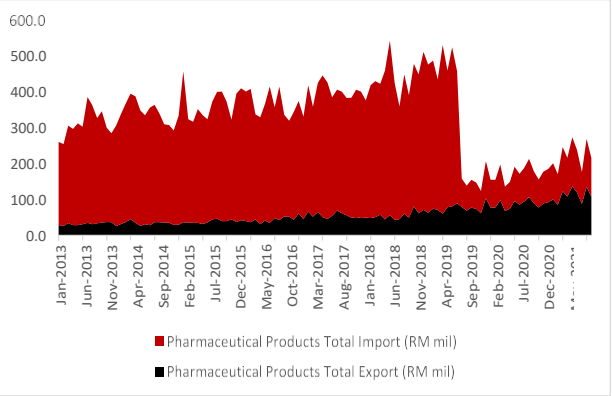
Inflationary pressures on pharmaceutical feedstocks and products. Despite the increasing demand for regulated and specialty medicines for NCDs, coupled with common pediatric diseases from the reopening of schools, the hiking prices of chemical and activepharmaceuticalingredients (API) continue to exert pressure on pharmaceutical companies. Pharmaniaga (BUY, TP: RM0.91) recently reported a 3-6 months-worth of API supply for its operations, while other manufacturing companies are facing supply shortages of common drugs and over-the-counter (OTC) medications in the height of a supply chain disruption in India and Eastern Europe. The supply issue is now gradually affecting critical medicines such as for asthma, epilepsy and mental illnesses. Covid-19 had impacted the foreign trade of pharmaceutical products in Malaysia since CY20 (see Chart 4), and had since pointing out on local medicine shortage issue. While shortages are pretty common in the sub-industry, it had reportedly never been this dire and involving many drugs since end-CY21. Nevertheless, clinics and hospitals had yet to run out of treatment options. We believe mitigation to in-house and local feedstock and products could decrease the dependency of imported API and raw materials for manufacturing. We are also at the opinion that transparency on medicine supply should be prioritized and strategized, in addition to the strengthening of regulation between private and public pharmacies, to ensure the avoidance of a fallout in pharmaceutical supply in the long run.

Chart 30: Global Aging Population Projection



Source: Macrobond, MIDFR

Chart 31: Total Import-Export of Pharmaceutical Products



Source: Macrobond, MIDFR

Maintain POSITIVE. All in, we maintain a **POSITIVE** view on the healthcare sector as a whole. The demand for healthcare treatment will remain higher on the back of the decreasing Covid-19 related impacts, as well as the increasing NCD admission; subsequently driving BOR into an upward curve for public and private hospitals. This is advantageous to the near- to mid-term performance of **IHH Healthcare (BUY, TP: RM7.96)** and **KPJ Healthcare (BUY, TP: RM1.14)**; with both groups expecting an increase in revenue growth for inpatient admission by over +20%. Meanwhile, pharmaceutical companies is expected to face the hiking prices of raw materials, chemicals and API as inflation increase the shipping rate and disrupting supply pace to an already medicine shortage in the local front. Nevertheless, we reiterate our top pick to be **Pharmaniaga (BUY, TP: RM0.91)** on its active operations and initiations for its manufacturing segment in supplying in-house drugs such as insulin and Hepatitis medication, with future plans for medicines marketed for the halal sector. Despite the depleting API feedstock, Pharmaniaga had assured that it has more sources to fall back to. Vaccine-wise, Pharmaniaga may see a continuous revenue stream with its plans for distribution to other countries including OIC countries in Africa, and the UK.

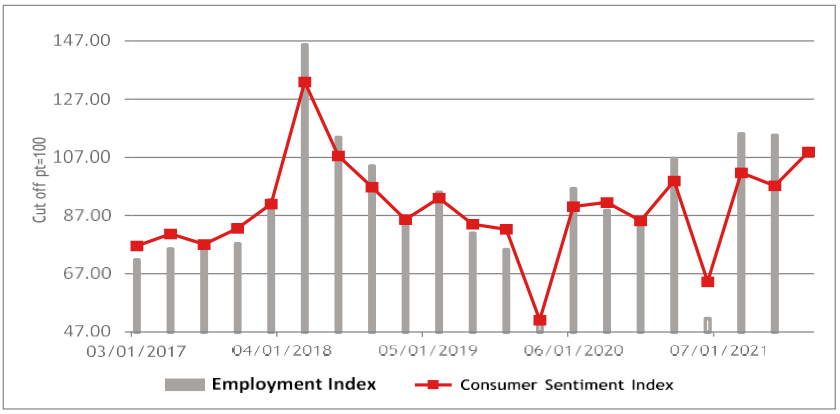
VI. MEDIA

Finding a Balance to Co-Exist Traditionally and Digitally..... Maintain POSITIVE

Ads revenue stays healthy. The media investment and intelligence company, MAGNA has recently adjusted its forecast for the global advertising growth further downward, from +12% to +9.2% in CY22. The primary reasons for the downward revision are due to the slowdown in economy since 2QCY22 (continued supply chain issues, high inflation rate, geopolitical conflict of Ukraine and Russia) and the mounting restriction over data-driven targeting of digital ads (the impact of Apple iOS changes had on display and social ad formats). MAGNA added that slow growth for ads markets in 2QCY22 and 3QCY22 is likely to extend up to 4QCY22 and throughout CY23. Nevertheless, it still opines that ads revenue will still see growth in CY22 with a healthy rate, couple with organics and cyclical drivers.

Consumers are digital savvy. Convenience has been a complementary to e-commerce spending trend among the digitally savvy consumers nowadays. In addition, the improved sentiments on current incomes and jobs have resulted the Consumer Sentiments Index for 1QCY22 to breach optimism threshold to 108.9 points. We opine that the trend moving forward for e-commerce players will be via the omnichannel strategy in order to increase its presence in brick and mortar. Therefore, we think this will benefit Media Prima's outlook as we believe its Omnia segment will continue to grow alongside with reopening of the economy, changing trend to use omnichannel strategy coupled with the group's continuous cost cutting efforts, which could further improve the Group's EBITDA margin.

Chart 32: MIER Consumer Sentiment Index



Source: MIER, CEIC, MIDFR

Political spending in Malaysia. Should Malaysia GE15 be called this year, we would see an encouraging ads revenue from political campaigns. Historically, the period leading up to the election typically would harvest higher traditional media buys. The Government ministries and political parties spent RM671.0m in 2018 for media buys which accounted for about 12% of the year's total ADEX of RM5.8b. This could provide advantage to both Media Prima and Star Media as their traditional media businesses account for a big proportion of their revenue.

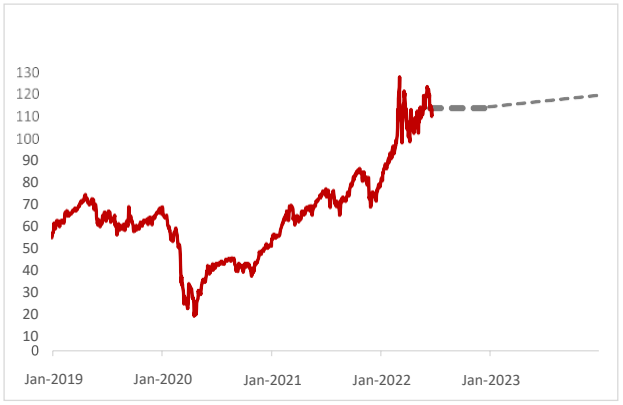
Maintain POSITIVE. Alongside with industry trends view as well as encouraging consumer sentiment index, we would like to reiterate our positive stance onto this sector. We think the reopening of economy will allow ADEX to recover progressively. Additionally, GE15 could serve as a catalyst as well to encourage the ADEX for traditional media, such as more publishing and broadcasting for political campaigns in the coming quarter, if our GE were to run this year. We foresee an upward trajectory in the home shopping and digital segments in tandem with the paradigm shift in consumer behaviour. Our top picks for this sector remain to be **Media Prima (BUY, TP:RM0.72), ASTRO (BUY, TP:RM1.06)** and **STAR (BUY, TP:RM0.36)**.

VII. OIL & GAS

O&G operations robust amid soaring commodity prices ..... Maintain POSITIVE

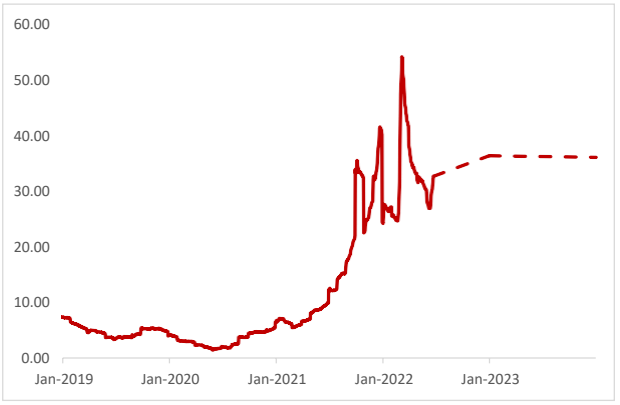
War continue to elevate the crude oil prices, demand to remain robust. The West had sanctioned Russian energy exports in May CY22 in a bid to hamper its advances into the Ukraine conflict. However, it is reportedly that Russia's revenue from fossil fuel exports reached nearly USD100b in the first 100 days of the Russia-Ukraine war, despite falls in exports. The EU made up 61% of these imports. As of recent, Chinese companies including state-refining giant Sinopec have increased its purchases of Russian crude after being offered heavy discounts; causing a rise by +55% from CY21's Russian crude imports. In consideration with the general recovery from Covid-19 pandemic, we opine that demand for hydrocarbon products will continue to be robust, despite the tight supply and depleting inventories worldwide. We expect Brent crude price to remain elevated to an average of USD112- 114pb, while natural gas is expected to move in tandem to an average of USD36 mmBtu in 2HCY22.

Chart 33: Brent Crude Oil (USD/b)



Source: Bloomberg, IEA, MIDFR

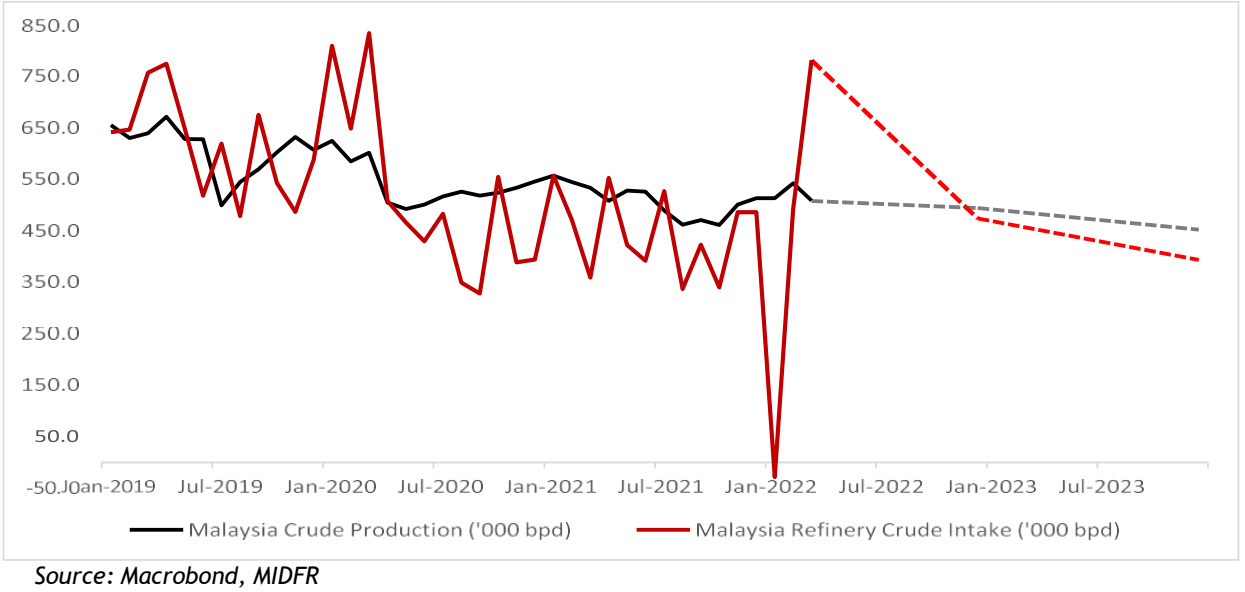
Chart 34: Natural Gas Dutch TFF (USD/mmBtu)



Source: Bloomberg, IEA, MIDFR

Manageable setbacks in refinery and shipping subsectors. Global refineries are anticipated to be impacted by tight supply and higher refining tax, in a bid to control soaring energy prices for end-users. While we do foresee increased profitability of the high crude prices to the refinery subsector, especially with the raised crude oil and LNG prices, the hydrocarbon feedstock is gradually contracting due to growing demand, plant maintenance and shutdowns from bad weather. Asian gas stock is also reportedly lagging in replenishment rate, causing LNG to continue trading at USD33-40 mmBtu. Meanwhile, LNG carriers are facing reroutes to the European region as Europe scrambled for gas supply after cutting its dependency of Russia. Europe is set to meet an 80% gas storage by end-CY22, with the risk of the lack of new supply and reduced investment in natural gas over recent years. While the hoarding of carriers towards Europe as part of the Ukraine war impact, coupled with the high global steel prices and shipping insurance rate which could potentially risk dry docking operations, we believe Asia LNG cargoes will return to compete in preparation for a tight market in winter. Furthermore, LNG terminals in Europe is anticipated to go beyond capacity, making the momentum of regasification to shift to the Asian region in the near-mid-term. Considering a continuous tightening of crude supply worldwide, we believe the refinery subsector in our local front will see a downward trend in terms of volume before rebalancing in line with local total production of crude.

Chart 35: Malaysia Crude Oil Production and Refinery Intake (bpd)



Source: Macrobond, MIDFR

Petrochemicals to see growth despite inflation fears. The petrochemical industry is expected to continue to grow well in the long run, with the demand for petrochemical products continuing to increase worldwide, despite the decarbonisation movement taking place. A recent petrochemical report anticipated that the market size will reach USD1 trillion by 2030 at a CAGR of 6%. We believe more investments into O&G firms is required to ensure a sustainable and environmentally friendly petrochemical sub-industry in the near future. It is widely believed that petrochemicals only require less than 1% of the expected USD170 trillion needed for the decarbonisation initiatives within the global oil market. Regionally, we are expecting the petrochemical markets to remain sanguine on thesupport of strong regulatory policies and increase in natural gas production, despite high costs and tight supply of imported feedstocks. Feedstock prices is expected to remain elevated amid the loss of Russian crude into global refineries, offset by the anticipation of increasing demand after China's Covid-19 lockdown being lifted.

Stagnation in energy transition from supply chain issues. The pressure for zero-net carbon projects within the sector is expected to generally continue towards its end-game. Nevertheless, the Russia-Ukraine war has left the EU to scramble for alternatives in generating power. Germany recently had limited the use of natural gas and opted for coal, in a bid to control gas consumption. In CY21, Germany had an LNG inventory of 90% storage capacity to make up for the winter, and is now standing at approximately 56.7% capacity. This is a setback to EU's energy transition promises made prior to the onset of the pandemic. We believe the geopolitical conflict coupled with the disturbance in energy security could trigger a plateauing in the energy transition demand, as the world struggles between energy affordability and climate goals. Renewable equipment has seen an increase in cost since CY21 – notably solar panels and wind turbines – by roughly 10-20%, disregarding the level of tech advancement and region. The impact of supply chain disruption and rising raw material prices, 2HCY22 would see a slowdown in expansion for the renewable sub-industry. Additionally, required investments in clean energy is expected to surge to USD23 trillion through 2050, implying an almost +100% from last year's estimates to USD660 billion per annum.

Maintain POSITIVE with caution. All in, we maintain our **POSITIVE** stance on the oil and gas sector,with a renewed caution on the uncertainties presented by the Ukraine war and its impact on the global supply chain and inflation in 2HCY22. Refinery and shipping of hydrocarbon products may face impediments from the shift of global crude oil and LNG supply to meet demands from Europe and India, and soon China; potentially impacting transportation of feedstocks to the Southeast Asian region in general. Meanwhile, the high commodity prices are expected to remain elevated hence benefitting exploration and production (E&P), as well as the retail for petrochemical products. Our top pick for this sector is **Petronas Chemicals (BUY, TP: RM11.93)** as the group rides on the strength of higher commodity prices, coupled with its proactive move to establish a stronger end-market primarily in eco-friendly and sustainable feedstocks and petrochemical products in the Asia-Pacific and SE Asian regions. We also like **Dialog (BUY, TP: RM3.96)** for its future E&P endeavours through acquisition activities of mature fields with high potential reserves, albeit risks of volatile crude prices, and environmental and political issues.

VIII. PLANTATION

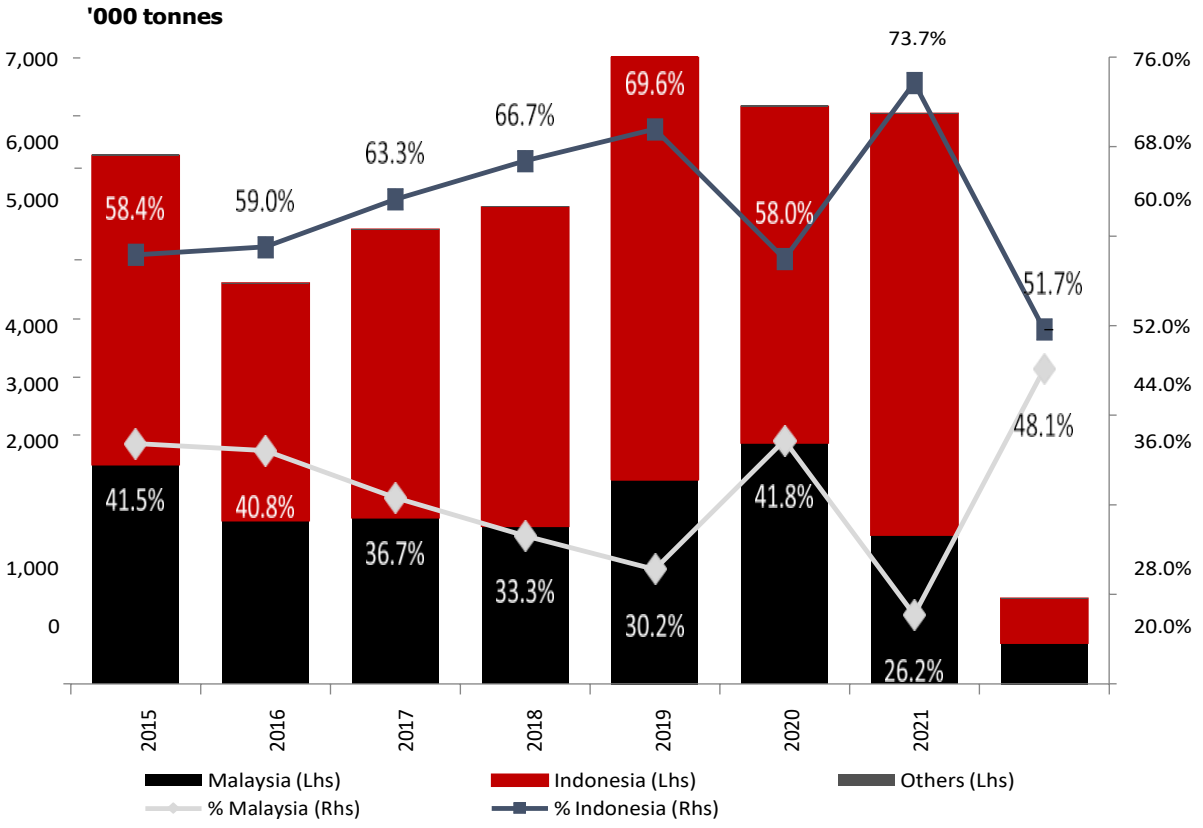
Outlook remains steadfast ..... Maintain POSITIVE

Supply tightness situation to continue for vegetable oil. We believe the production output for soybean, palm oil and sunflower will continue to be tight this year on confluences of; i) we are on a view that La-Nina is back for the third year, and US Climate Prediction Center (CPC) warns that this disruptive global weather would bring drought and dry conditions and could hinder the crop's yield development for soybean in Brazil and Argentina later in 2HCY22, ii) on 5-months basis, palm oil production dropped by -1%yoy, affected by unfavourable weather conditions and amidst labour crunch, and iii) we opine subdued sunflower oil production to prolongs given on going Russia-Ukraine war. While CPO production enters its peak cycle season in 2Q-3Q aided with more foreign labour boots in 2HCY22, the majority of planters confirmed that 2022 FFB production would continue slow, impacted by

lower fertilizer application due to labour (manuring and upkeeping) shortage in the previous year. As for sunflower oil, we understand that its spring planting season (April-May) has been disrupted as 50% of sunflower seeds are produced from regions being contested in the Ukraine-Russia conflict. Since Russia has taken over the Black Sea ports, major logistical issues are also inevitable, even if famers managed to plant and harvest this year. All in, we believe the CPO price to remain elevated given the continued supply tightness within top 3 traded oil ahead.

But may affect demand. On the demand front, based on MPOB data, we saw most major importing countries intake of Malaysia's palm oil has slowed down by -7.9% to 2.6m tonnes from 2.8m tonnes. These were led by US (-60.1% ytd), followed by Pakistan (-24.7% ytd), China (-10.8% ytd) and India (-6.2% ytd). While EU (+7.9% ytd) imported more, this was mainly due to inaccessibility of sunflower oil. In light of growing recession fears, we anticipate export numbers to remain flattish due to inflationary pressure worldwide. We also estimate intake from Pakistan and India to be slower, due to the high CPO prices traded. We opine that any further increase in CPO prices could further diminish demand from these two countries. As for China, economic activity is supposed to restart on 1 June 2022, after two-month of lockdown in major cities. Hence, we could see normalize demand in the near-term. Nevertheless, due to price competition between Malaysia and Indonesia in which normally Indonesia CPO prices trades at discount to Malaysia due to lower export and duty, this has made Indonesia's CPO more attractive resulting higher market share of palm oil export to China (Chart 36).

Chart 36: China's Palm Oil import (2015 - 2022 Ytd)



Source: Bloomberg, MIDFR

Maintain POSITIVE with unchanged CY22 CPO price to average RM5,500/mt. We anticipate that the CPO price will remain elevated with some correction in 2HCY22. The elevated price level will be supported by i) higher price of edibles oil on the back of supply concerns amid Russia – Ukraine prolongs war (disruptedsunflower supply), ii) subdued production outlook for soybean in 2022/23 due return in La-Nina in third year in a row in South America such Brazil and Argentina, and iii) improved demand outlook on improved economic activities. Despite our positive view on the sector, we do expect the CPO price will ease in 2HCY22 but at a gradual pace on concern of inflationary pressure globally after achieving higher-than-expected CPO price in 1HCY22. As such, we maintained our CY22 CPO price forecast of RM5,500/mt at this juncture. In line with this, **we maintain our POSITIVE stance** on plantation sector. Key risks to CPO prices are i) unprecedented new variants appear which resulting another lockdown worldwide, ii) above expectation stockpiles and supply of soybean and soybean oil and iii) changing policy in importing countries.

IX. REITS

Stronger recovery in 2HCY22 ..... Maintain POSITIVE

Stronger recovery in 2HCY22. Retail REITs reported better earnings in 1QCY22 mainly due to recovery in shopper footfall as Malaysia transitioned from Covid-19 pandemic to endemic. The improved shopper footfall led to recovery in tenants' sales and that prompted mall operators to reduce rental rebate to tenants. Looking ahead, we expect earnings recovery of REITs to be stronger in 2HCY22 mainly due to minimal rental rebate. Besides, earnings recovery is also expected to support by higher turnover rents as a result of higher shopper footfall.

Positive rental reversion outlook. We see better rental reversion outlook for shopping malls in 2HCY22 mainly due to improvement in shopper footfall and tenant sales. Note that earnings of REITS were hurt by rental rebates and sluggish rental reversion in the past two years due to Covid-19 pandemic. As shopper footfall is recovering to pre-Covid level, we see rental reversion to return to positive territory in 2HCY22 for established malls in Klang Valley such as Mid Valley Megamall, Pavilion KL, Sunway Pyramid and Suria KLCC. In short, we expect earnings of retail REITs to support by positive rental reversion going forward.

Hotel industry to improve while industrial segment remains stable. As Malaysia opened its international borders on 1st April 2022, we expect hotel industry to improve in 2HCY22 as the industry has been heavily reliant on tourism activities. Besides, hotel industry is also benefitting from the reopening of economic activities as more functions held in hotel. In a nutshell, we see hotel industry to improve in 2HCY22 and subsequently hotels to return to profitable in CY23 due to higher tourist arrivals. On the other hand, REITs that focused on industrial assets such as Axis REIT is expected to report stable earnings going forward as outlook for industrial assets remains bright due to resilient demand for industrial space.

Maintain POSTIVE on REITs. We maintain our **POSITIVE** stance on REITs as we see worst is over for the sector and the sector is poised for recovery in 2HCY22. In this context, we expect retail REITs to lead earnings recovery due to the improvement in shopper footfall. Our top picks for the sector are **IGB REIT (BUY, TP: RM1.72)** and **Sunway REIT (BUY, TP: RM1.70)** as we like their quality retail assets namely Mid Valley Megamall and Sunway Pyramid respectively which should see strong recovery in footfall and tenant sales following the reopening of economy. Besides, we also see better earnings outlook for IGB REIT and Sunway REIT due to improving rental reversion outlook.

X. TECHNOLOGY

The Waiting Game ..... Maintain POSITIVE

Industry indicators. We reiterate our POSITIVE call on the technology as we believe the sector is well supported by industry trends as the world is embracing automation and various smart products. WSTS indicates that, there would be another year of double-digit growth for the worldwide semiconductor market in CY22 with a forecast of USD646.0b. The organisation opines that strong chip demands will remain for another consecutive year, with most major categories expected to see high teens year-on-year growth this year. This will be led by Logic with +20.8%yoy growth, Analog with +19.2%yoy growth, and Memory with 18.7%yoy growth. Optoelectronics remains to be the weakest category in the forecast and is expected to be roughly flat or +0.3%yoy. Geographically, all regions are expected to show growth this year, primarily by the US at +22.6%yoy.

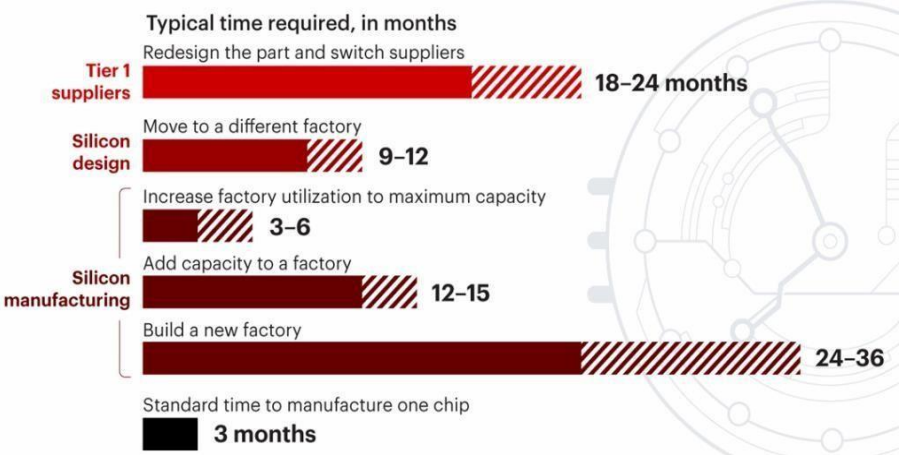
Table 5: WSTS Forecast Summary

Spring 2022	AmountsinUSD'm			YOY Growth in %		
	2021	2022	2023	2021	2022	2023
Americas	121,481	148,969	155,524	27.4	22.6	4.4
Europe	47,757	57,669	60,610	27.3	20.8	5.1
Japan	43,687	49,200	51,542	19.8	12.6	4.8
Asia Pacific	342,967	390,618	411,973	26.5	13.9	5.5
Total World - USD'm	555,893	646,456	679,650	26.2	16.3	5.1
Discrete Semiconductors	30,337	33,444	34,708	27.4	10.2	3.8
Optoelectronics	43,404	43,534	45,166	7.4	0.3	3.7
Sensors	19,149	22,159	22,959	28	15.7	3.6
Integrated Circuits	463,002	547,319	576,817	28.2	18.2	5.4
Analog	74,105	88,324	93,318	33.1	19.2	5.7
Micro	80,221	89,363	94,065	15.1	11.4	5.3
Logic	154,837	186,971	200,539	30.8	20.8	7.3
Memory	153,838	182,661	188,896	30.9	18.7	3.4
Total Products - USD'm	555,893	646,456	679,650	26.2	16.3	5.1

Source: WSTS, MIDFR

Global chip investment. The vulnerabilities of global semiconductor supply chain are felt across countries, industries and applications ever since the rising of Covid-19 crisis. Multiple of governments around the world have been reassessing their positions across the semiconductor value chain and looking to carry out new national industrial policies which signified investments for semiconductor manufacturing and R&D within their borders. It is worth to note that in the midst of chip shortages, chipmakers are aggressively increase global chip investment to meet the increasing demands. As such, TSMC has put aside USD44b for CY22, after doubling its capex in CY21 to USD30b from nearly USD15b in CY19. Intel plan to spend half ofthat amount for its foundry business this year. Samsung meanwhile intents to increase its capex for the chip manufacturing unit in mid-CY21 from USD115b to USD151b until CY30. The increased of global chip investment will take at least three to four years to reflect on capacity. Therefore, we revised our view that the current supply crunch will likely be continued through 2HCY22 (previous expectation was for shortages to ease by the 2HCY22).

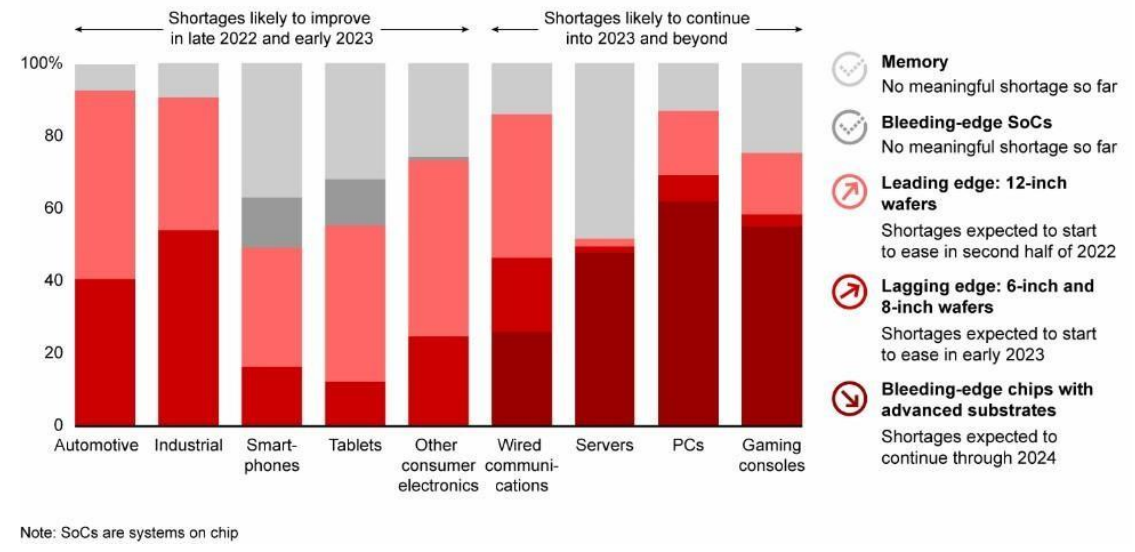
Chart 37. Lead Time Analysis



Source: Bain analysis, MIDFR

Lead time. According to Susquehanna Financial Group Semiconductor Lead Time Research Report in 5 April, the semiconductor lead times grew to an average of 26.6 weeks in March CY22, breaking the half-year barrier. This indicates that chipmakers on average, are taking more than half a year to deliver a variety of semiconductors; from memory and power management chips to microcontrollers to clock and timing electronics to analog and discrete components. The macro events which took place in 1QCY22 such as Russia's invasion of Ukraine, an earthquake in Japan, and two pandemic-driven lockdowns in China were factors that contributed to the worsening of the already impacted supply chain in the 1QCY22. This reaffirmed our belief that chip shortages may linger for the rest of the year before demands can be satisfied progressively in tandem to chipmakers' effort to aggressively increase its production capacity.

Chart 38. Semiconductor Applications, by Industry

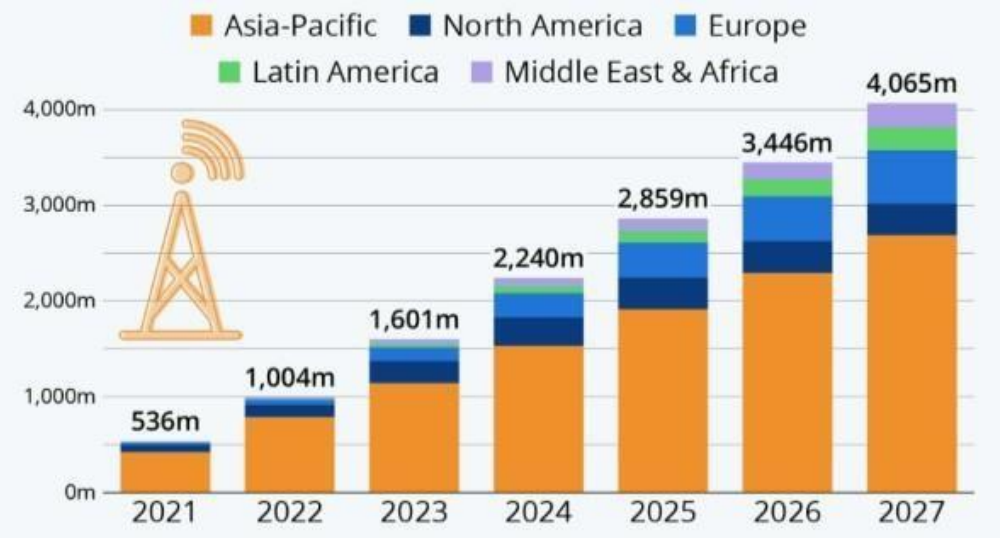


Source: Gartner, Bain analysis, MIDFR

5G technologies. While the lead times is expected to achieve that arc of stability in the latter part of 2022, the growing demands of technologies such as the long promised 5G networks should not be understated. The customized private 5G networks could bring high-speed, high-capacity, low-latency connectivity to indoors industry and government networks. According to estimates from Ericsson's latest Mobility Report as at June CY22, 5G network is scaling faster than any previous mobile generation and the subscriptions for

this network is expected to reach 1.0b by the end of CY22. Additionally, the arrival of this technology helps to increase semiconductor companies' customer base whereby it will not be dependent over customers who are involved in computing equipment or handset makers, but could also accommodate demands from producers of large and small appliances for the home and the growing of other connected industrial and consumer products. As such, we believe it provides prime opportunity for semiconductor companies like Inari and Unisem to take advantage of the tremendous excitement around 5G.

Chart 39. 5G Smartphone Subscriptions Forecast, by Region



Source: Ericsson Mobility Report, MIDFR

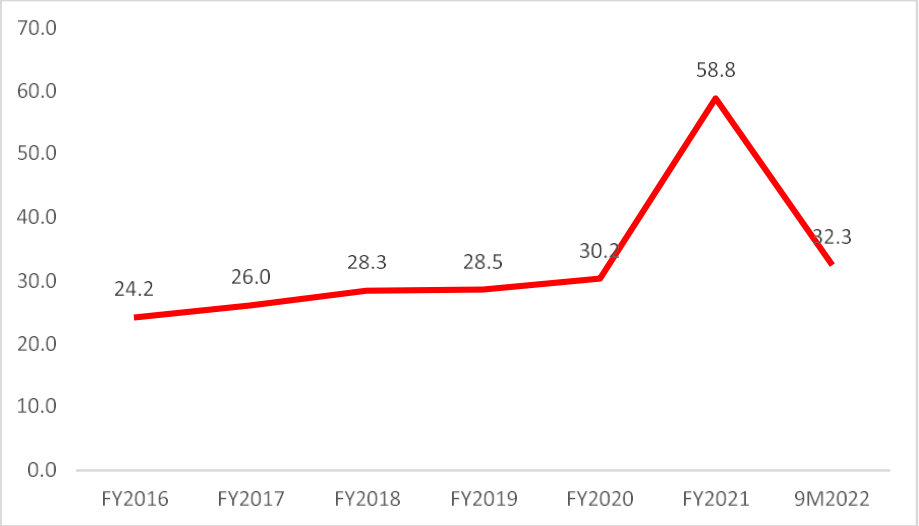
Maintain POSITIVE. With growth for semiconductors such as 5G, IoT, AI, PCs, Cloud, and EV staying solid in this digitalization era, we are optimistic of the prospects of tech companies. We opine that the magnitude of the recent tech sector might have been overdone as these companies could reach much wide range of customer based, serving for different industry, sectors and applications with the advancement and adoption of new technologies. Even though moderation in tech stocks are expected due to chip shortages and supply chain issues, we opine that it is not reflective of the fairly reasonable earnings prospects of semiconductor companies such as Inari, Unisem and Globetronics. Our top pick for semiconductor players are **Inari (BUY, TP: RM3.65), Unisem (BUY, TP:4.33)** and **Gtronics (BUY, TP:RM2.00).**

XI. GLOVES

The Effects of Normalising ASP ..... Maintain NEUTRAL

Normalisation of ASP. All the manufacturers in this sector felt the effect of declining ASP since the end of CY21. The downtrend in ASP was primarily due to the influx of new players in the glove industry and the expansion plans of incumbent players, which resulted in increased supply and competition, pushing the ASP downward. The imbalance of demand and supply has affected the companies' earnings. Since the market is oversaturated, it has been difficult for the glovemakers to pass through the higher production cost (labour, fuel and electricity) to the consumers. Thus, reducing its margin. Moving forward, we anticipate that volume and value will continue to fall before returning to pre-pandemic levels. We expect ASP and demand to normalise and return to the cost-plus basis model as the world transitions to an endemic phase. We believe that during the endemic phase, global demand for gloves will remain supported due to (i) increased health safety, (ii) post-pandemic hygiene awareness, and (iii) increased glove usage across industries.

Chart 40. Average selling price Top Glove



Source: Top Glove, MIDFR

Reduced total production. The large manufacturers try to alleviate the ongoing oversupply situation by scaling down its total production capacity. The demand for gloves has moderated in tandem with the reduction in consumption levels as large buyers, such as governments and large hospital chains are full or near full in term of PPE inventory, as we understand it. We opine that the new entry players continue tobe loss-making due to the rising cost and lower ASP. Therefore, there is a high possibility for some of the new entrants to exit the glove manufacturing business. Thus, we believe that the effectiveness of reducing total production will take some years before the market reaches its optimum supply level.

Labour allegations. ESG risk could dampen the sales of the glove manufacturers. According to the Malaysian Rubber Gloves Manufacturers Association (MARGMA), the import ban imposed by the US Customsand Border Protection's (CBP) has cost the glove industry an estimated RM3.6b in potential glove export revenue. Furthermore, citing allegations of serious violations of human rights has prompted Norway's wealth fund to place one of Malaysia's medical glove manufacturers under two-year surveillance. Even though glove companies have taken steps to improve its ESG standards, the forced labour issue remains a serious concern in the industry, with companies still facing import bans in CY22. This demonstrates thatthere is a gap in the implementation of ESG policies by companies, which results in repeated allegations of forced labour. Moving forward, we believe that import bans will not only result in revenue losses but will also stymie future growth plans.

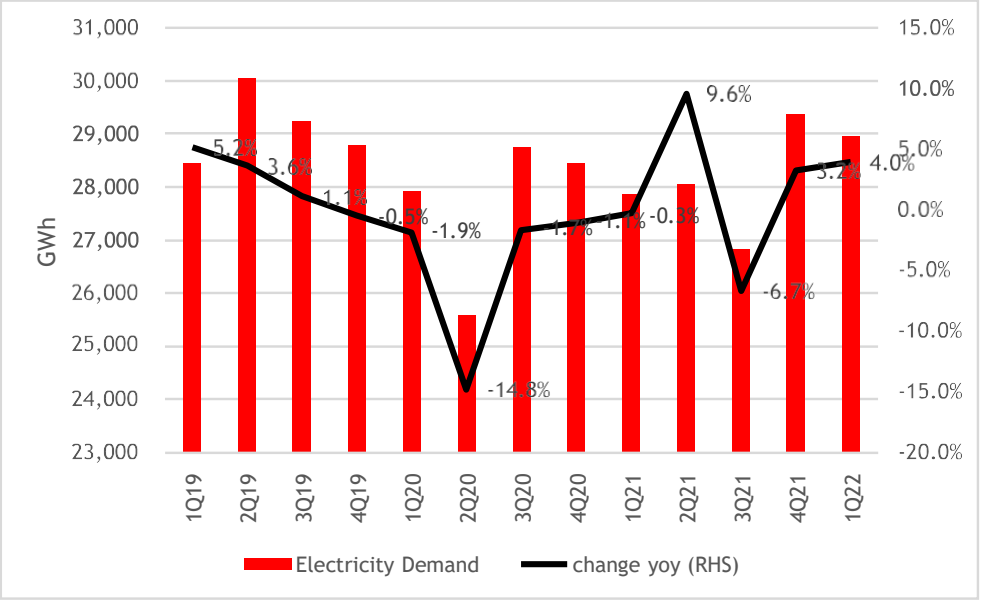
Maintain **NEUTRAL** on the sector. We believe that profitability will continue to normalise in tandem withlower ASPs. Glove companies with healthy cash flow, a strong balance sheet, and investments in new facilities as well as R&D are well-positioned to defend their market share from new competitors. Moving forward, we opine that there is a lack of catalyst in the near term to support the earnings of companiesin the sector. Risks to our call include larger-than-expected changes in ASP and volatility in raw material prices.

XII. POWER

Upside capped in a macro upcycle.....Maintain NEUTRAL

Demand recovery in 1Q22. Electricity demand flattened out (quarter-on-quarter) in 1Q22 at 28,959GWh, though this still represents a +4%yoy improvement and closely tracked GDP growth trend (+5%yoy) during the period. The year-on-year growth in 1Q22 was mainly driven by the commercial segment (+10.2%yoy) and the domestic segment (+3.3%yoy). The industrial segment remained largely flat at -0.2%yoy. We expect the demand recovery to sustain in 2Q22 and moving into 2H22 on the back of sustained macro recovery momentum.

Chart 41: Electricity Demand Trend



Source: TNB, MIDFR

Fuel prices remain elevated. The war in Eastern Europe has created a global energy crunch and exacerbated concerns over coal supplies in a market already in a tight balance. Primary energy prices, in particular coal, continue to trade at elevated levels throughout the 1H22 with Newcastle coal futures hitting a new peak of USD427/MT in late-May. While there was some retracement towards since then, latest prices remain elevated at USD393/MT. This is still well above Regulatory Period 3's coal reference price of USD79/MT.

Record breaking under-recovery, rising receivables. The elevated fuel prices have resulted in Tenaga registering significant generation cost under-recovery in the past 2 quarters amounting to RM3.2b in 4Q21 rising to RM3.5b in 1Q22. The knock-on effect is a spike in receivables over the same period given a half- year lag in passing through the under-recovery to consumers, therefore negatively impacting free cash flows. Tenaga has seen a gradual uptick in net gearing given increased short-term debt to finance elevated working capital needs.

Players in the generation space and liberalised markets are better off. In our opinion, generation players are better off in the current high fuel price environment given that fuel is a cost pass-through to the off-taker which is Tenaga. Players in this space include Ranhill Utilities (BUY, TP: RM0.67) and Malakoff (non-rated). Alternatively, players operating in liberalized electricity markets are also better able to pass through higher costs given the free-market nature of such electricity markets which allow for a better reflection of underlying cost in market prices compared to regulated markets. A play into

liberalized electricity markets is YTL Power (BUY, TP: RM0.92), which operates in the Singapore generation sector - the Singapore electricity market has seen spot electricity prices rise by 300%-400% since 4Q21.

Remaining 1178MW capacity to achieve RE target. In the RE space, Malaysia has set a target of reaching31% RE capacity mix by 2025 under the 12MP, entailing the build-up of 8531MW of RE capacity. Some 1905MW of RE capacity are already operational and another 3295MW committed through past LSS and FiT (Feed-in-Tariff) program awards. Existing large hydros meanwhile, contributes 2153MW to the target. This leaves another 1178MW required to hit the RE target, of which 1098MW (93%) is expected to come from solar installations, with the remaining to come from non-solar sources i.e. solid waste, small hydro, biomass and biogas. Unlike solar which has largely transitioned to competitive bidding, the majorityof the non-solar RE sources are driven by the FiT program which entails premium tariffs. We would expect the majority of the remaining 1098MW target of new solar capacity to be offered in upcomingsolar auctions, though not necessarily via the current LSS programs.

LSS4 projects in progress. To recap, a total of 823MW capacity was awarded in LSS4, the latest round of large-scale solar auction. Commercial operation is targeted in late-2022 up to 2023. Tariffs ranged from 17.68sen-19.7sen/kwh for Package P2 and 18.5sen-24.81sen/kwh for Package P1. This should be apositive catalyst for around 10 listed companies that were shortlisted, namely Tenaga, Ranhill Utilities,Tan Chong, Solarvest, Uzma, KPower, Jaks Resources, Gopeng, Advancecon and MK Land. The EPCC players in particular, e.g. Solarvest, Samaiden, Cypark, Pekat, could see positive expansion in orderbook from construction of the LSS4 projects over the next 1-2 years.

Potential hiccup from higher raw material prices. A potential drag in the RE space is the rising cost of solar modules, which has increased by up to 40% to an estimated USD0.26-0.28/watt. Given that panels account for around half of solar project cost, this has a significant bearing on earlier projected project returns. As such, we expect some delays in execution of recently awarded solar projects as players attempt to wait out the elevated costs or renegotiate contract terms.

We remain **NEUTRAL** on the power sector; earnings are defensive in nature, but in a macro upcycle, upside is capped by regulatory revenue caps while growth catalyst is lacking given an already large excess capacity in the system. Meanwhile significant cost under-recovery and a lag in ability to pass this through will constrain cash flows and dividend payout, in our opinion. The majority of growth potential lies within the RE space (though in much smaller scale relative to traditional capacities) and for Tenaga, this will come from more meaningful expansion of overseas assets. The potential liberalization of the sector (though currently under review) will likely introduce more intense competition in the generation and retail segments. Nonetheless, the former (liberalisation in the generation space) is only likely to impact the sector towards 2030-2040 when the majority of PPAs have fallen off the grid and players gradually transition to a demand-supply driven market. Our sector picks are **YTL Power (BUY, TP: RM0.92)** and **Ranhill Utilities (BUY, TP: RM0.67).** Potential risk is an aggressive carbon pricing rate introduction and the inability of players to pass this down to end-consumers.

XIII. PROPERTY

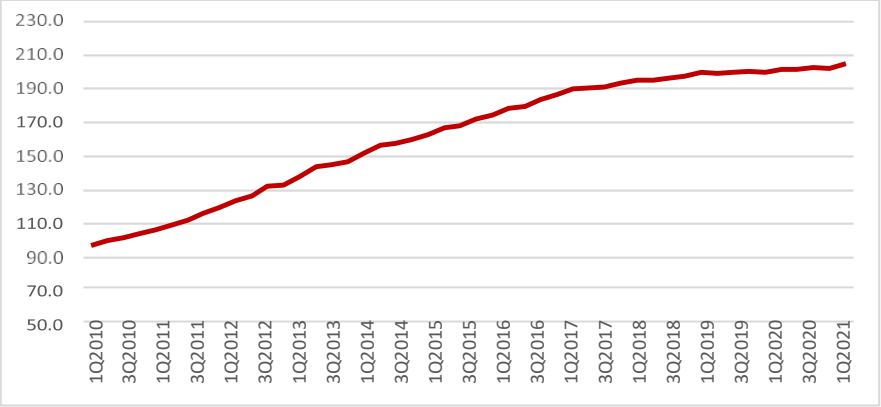
Marginal better outlook ..... Maintain NEUTRAL

New sales outlook to be supported by economic recovery. Earnings of property companies were mixed in 1QCY22. Nevertheless, the reported new property sales were largely in line with management's expectations as new property sales momentum was supported by economic recovery despite House Ownership Campaign has ended. Looking ahead, we expect buying interests on properties will continue to be supported by the economic recovery. However, the momentum of recovery in demand is expected to be mild due to absence of strong catalyst to support buying interest.

Rising cost of materials. Earnings of property companies are expected to normalize in CY22 due to pick up in progress billing of property projects following easing of Covid-19 SOP. Nevertheless, we think that the rising cost of materials such as steel and cement may lead to slight margin contraction of property companies as property companies may not able to fully pass on the rising cost to property buyers. While we reckon that property companies may raise property selling price to factor in the rising cost, we think that property companies may have to partially absorb the rising cost due to the competitive selling prices by peers.

Flattish HPI in 2021. According to data released by National Property Information Centre (NAPIC), House Price Index (HPI) inched up slightly to 205.0 in 4QCY21 from 202.0 in 3QCY21. Note that HPI declined in 3QCY21 which could be due to slowdown in economic activities as a result of the Covid-19 pandemic. Meanwhile, HPI in 4QCY21 recovered marginally, in tandem with economic recovery. That led HPI in CY21 to 200.3, unchanged from CY20 level. Looking ahead, we opine that HPI should continue to stage marginal recovery in CY22 due to normalizing economic activities and inflationary pressure.

Chart 42: House Price Index



Source: NAPIC, MIDFR

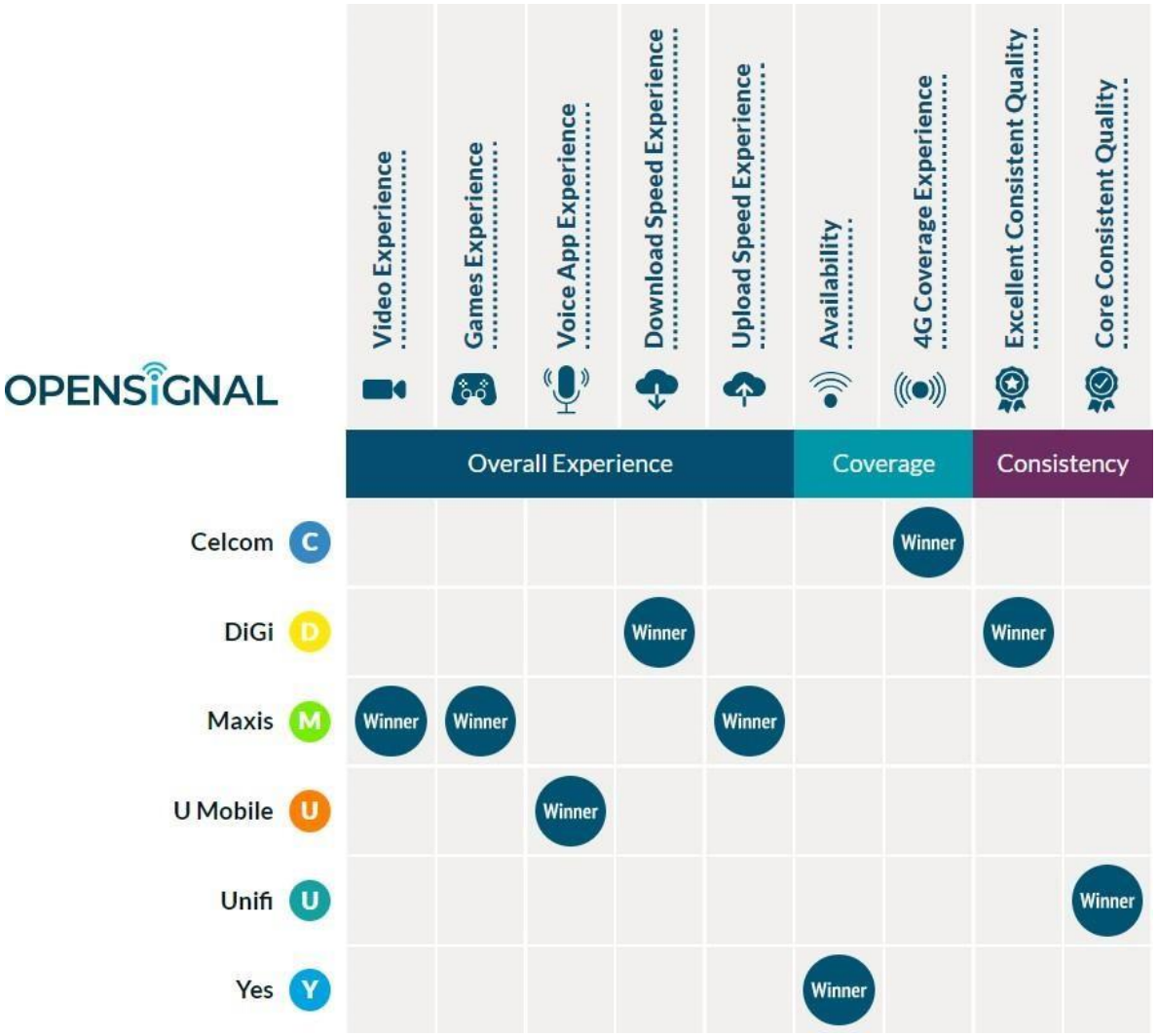
Maintain **NEUTRAL** on property sector. While property sales outlook of property companies is expected to improve marginally in 2HCY22, we expect earnings of property companies to be partially drag by the higher raw materials. Besides, the flattish HPI in 2021 suggests unexciting property price outlook which may keep buying sentiment subdued. Overall, we maintain our NEUTRAL stance on property sector. Our top picks for the sector are **Mah Sing (BUY, TP: RM0.74)** and **IOI Properties Group (BUY, TP: RM1.29).** Mah Sing recorded higher earnings in 1QFY22 mainly due to contribution from property development division. Besides, new sales momentum is expected to support by launches of properties in the affordable price range. We also positive on IOI Properties Group as we see brighter outlook for its property investment and leisure & hospitality divisions following reopening of economy.

XIV. TELECOMMUNICATION

Remain Cloudy ..... Maintain NEUTRAL

Technical Milestone for 5G. While equity participation in DNB is still under discussion, with few days away from the deadline of 30th June 2022, Ericsson and DNB have successfully conducted Malaysia's first voice over new radio (VoNR) call over the live 5G network on 15th June 2022. The successful VoNR demonstration done for the first time over the live nationwide 5G network is the latest technical milestone of how 5G can deliver a new and superior user experience via a cloud-native 5G stand-alone architecture. The VoNR offers high-definition audio and video to improve user experience, and provides new revenue generation opportunities for mobile network operators (MNOs) with ready 5G cores. Additionally, the 5G VoNR technology has the ability to conduct simultaneous data functions like downloading files and playing video while making VoNR calls. This significantly reduces network switching for devices on the 5G and testify the ability of the DNB network to support both 5G non-stand-alone and stand-alone (SA) architectures. We opine that this is a great catalyst to our telco sector as the superior characteristics of 5G radio would enable improved voice and communications services, such as enable new real-time voice and communications use cases between humans or between humans and machines, for interactive calling, augmented reality, virtual reality and other services.

Chart 43: Mobile Network Experience Report



Source: Opensignal, MIDFR

Notable progress for 4G. Even though 5G deployment is now a key focus area in realising digital economy vision by 2030, telcos are still improving its 4G network to provide better performance in the interim. Thanks to JENDELA, Malaysia has increased its 4G availability from 86.7% in 1QCY21 to 92.3% in 1QCY22, mostly driven by two factors; increased availability of networks and devices. Based on Ookla's list, Malaysia is placed at no. 2 behind Singapore which has a 4G availability of 94.5%. This is trailed by Indonesia, Cambodia, Thailand, the Philippines and Vietnam with a 4G availability to the tune of 90.5%, 88.4%, 88.3%, 84.8% and 82.9% respectively. Amongst the top 5 telcos, Maxis and U Mobile offer the highest 4G availability of over 94%, followed by Unifi at 92.0%, Celcom at 91.1% and Digi at 89.9% correspondingly. Yet, the improved 4G networks availability in Malaysia do not defy the fact that as our country is still lagging behind Singapore, Vietnam and Thailand for 4G speeds. Ookla stated that based on Median calculation, Malaysia recorded an average download speeds of 22.41Mbps and average upload speeds of 7.59Mbps. Digi had the fastest 4G download speeds at 28.08Mbps while Maxis won on upload with a median speed of 10.59 Mbps, a +12%yoy growth as well as the best Video and Games Experience in Malaysia. Overall, we think strong 4G networks will offer smoother transition to next-generation 5G networks.

Regulatory clearance on MergeCo. MCMC decided not to object the Proposed Merger of Digi and Celcom after reviewing the undertaking, which amongst others include the divestment of 70 MHz of MergeCo's spectrum across 1800 MHz, 2100 MHz, and 2600 MHz, the first band to be returned to the MCMC within 24 months after completion of the merger and the second and third bands to be returned within 36 months after completion of the merger; establishing a separate independent business unit for MVNO wholesale business under MergeCo within 6 months after completion and ensuring continuity of access to wholesale services for MVNOs at terms no worse off than existing agreements; enabling non-exclusive distributors in the Sabah, Sarawak, Kelantan, Pahang & Terengganu regions by the end of Year 3 after completion of the merger; and positioning the existing Digi and Celcom brands as products under a single MergeCo corporate brand by the end of Year 2 after completion of the merger. By having a regulatory clearance from MCMC, it provides some soft of comfort for MergeCo to be realised by end of this year. We believe the MergeCo could provide better network quality and coverage as it will be primed to invest in network expansion to support growing demand for data and digitalisation. We opine that the MergeCo's RM250.0m proposed investment to build a world-class Innovation Center in Kuala Lumpur over five years will keep Malaysia at the forefront of the global digital evolution. The Innovation Center will be pivotal in advancing extensive research and development leveraging 5G, AI and IOT technology as well as. All in all, we think the growing user base and potential capex saving will give the MergerCo a competitive edge over the rest.

Stay NEUTRAL. We think the supply driven SWN model mandated by the Government could addresses the issue of cherry-picking of more viable areas with higher commercial or economic returns and therefore, bridge the gap between urban-rural areas. It could as well lower cost to service (price per GB) given economies of scale and help to eliminate duplication of infrastructure. Telcos are no longer have to bear the significant capex burden of rolling out 5G networks with the focus turning to service, quality of service (QoS) and product innovation. Yet, the uncertainty on the equity stake and value in DNB for 5G rollout, slow 5G adoption rate in Malaysia due to lack of 5G-compatible devices, unready 5G ecosystem to accommodate for mass commercial usage, ongoing competitive cellular market environment posed downside risks to the sector at this junction. Therefore, we remain NEUTRAL over the sector while favouring our fixed line player, **TM (BUY, TP:RM6.91)** due to owning comprehensive fiber infrastructure, robust demand for fixed broadband services, plenty of business opportunities under MyDigital Initiatives and **Axiata (BUY, TP:RM4.90)** due to its regional exposure in the growing market.

XV. TRANSPORTATION

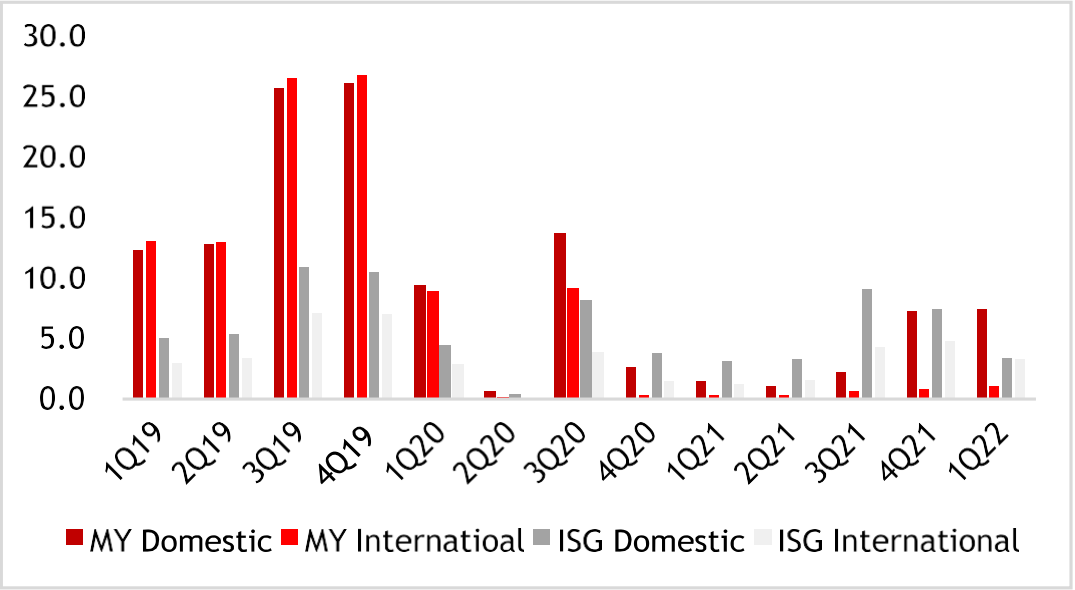
Full recovery might be slower than expected..... Maintain NEUTRAL

Reopening of borders. Following the reopening of Malaysia's international borders to quarantine-free travel for fully vaccinated travelers, the passenger traffic as reported by MAHB has started to recover from Apr-22 onwards. Malaysia's passenger traffic movements saw a fivefold increase to 8.3m in 1QCY22 as compared to the corresponding quarter. The rise was mainly underpinned by several of the earlier initiatives including the establishment of Vaccinated Travel Lanes (VTLs) with Singapore and Thailand and the resumption of Umrah travels. The Government's decision to fully uplift border restrictions in 2QCY22 has led to international passenger movement reaching a daily average of about 33,407 in May-22, albeitstill well below pre-pandemic level at approximately 20% of May-19's figure.

Potential headwinds for the aviation sector. Despite seeing the healthy increase in number of passengers, we continue to assess several factors that could derail the full recovery of the aviation sector. The first factor is the price of Brent crude oil which has surged beyond the USD120 per barrel level in the recent months. Based on our in-house projection, it is expected to average at about USD112 per barrel this year. Owing to this, airlines which are unhedged on its jet fuel purchases, including AirAsia, might struggle toturn to profitability if the prices remain elevated. The fuel surcharges which were introduced to cover these additional costs have led to airlines charging higher ticket fares especially for long-haul flights. Inflationary pressures are also likely to have an impact on customers' discretionary spending, thus potentiallystunting the growth of passenger traffic. In addition, we have yet to see meaningful upliftment of travel restrictions in East Asian countries including China, Japan, and South Korea, although this might change in the 2HCY22. Moreover, airlines have reported that the delays in reinstatement of flights were mainly due to the long waiting time at the aircraft maintenance facilities in both Malaysia and regionally as the aircrafts that were grounded during the pandemic need to be declared safe before being flown again.

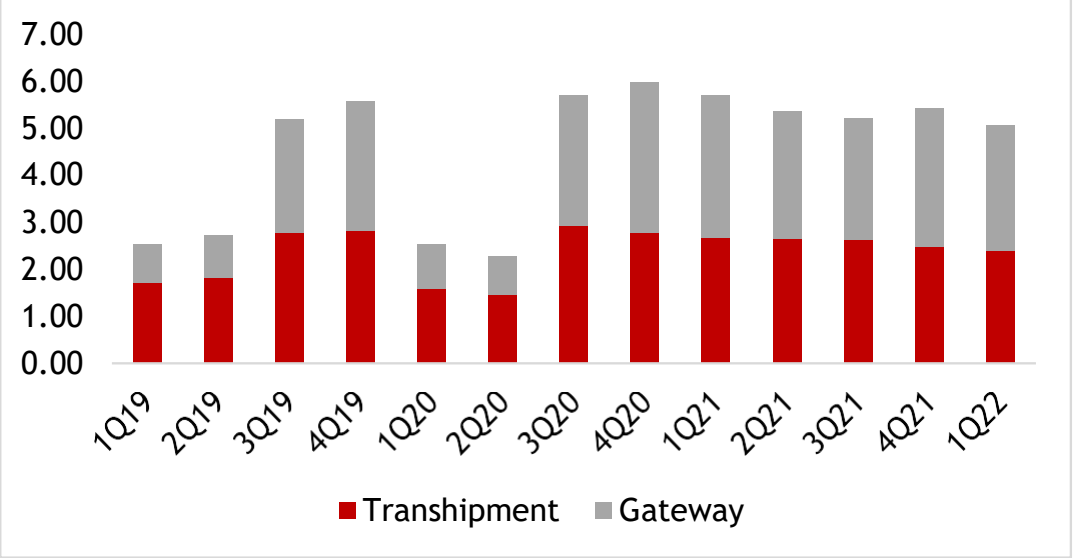
Muted outlook for Westports. Westports had reported weak sets of operational statistics in the last couple of quarters due to several operational challenges that the company have faced including high yard utilisation, the aftermath of the floods within the vicinity of Port Klang and the temporary closure of its neighbouring ports. Though the throughput volume in 2QCY22 could potentially be impacted by the lockdowns in China, we believe that the volume would start showing improvement in 2HCY22 on the back of easing yard congestion (currently the utilisation rate is at below 80%) and improved productivity due to the absence of local lockdowns. From a macro standpoint, our economics team expect real GDP to growat +6.0% this year, while exports and imports are expected to grow by +9.3% and +11.5% respectively. With these projections, we foresee robust trade activities to resume this year despite the shift in consumption from goods to services, thus translating into steady flow of containers at the ports. Nonetheless, the near-term outlook for Westports remains muted due to the impact of Cukai Makmur, high fuel cost prices and normalisation of revenue generated from its value-added services (VAS).

Chart 44: Passenger Movements at MAHB's Airports (m pax)



Source: MAHB, MIDFR

Chart 45: Container Throughput at Westports (TEUs)



Source: Westport, MIDFR

Gradual normalisation of air freight rates. Prior to the pandemic, slightly more than half (54%) of the world's air cargo was transported in the hold of passenger aircraft. Based on 2019 figures, the Asia-Pacific region had fetched the largest market share (34%) of the global air cargo market, followed by North America (24%), Europe (20%) and Middle East (13%). Both the air and ocean freight market has seen record level rates since the start of the pandemic due to the huge capacity cuts. In the recent week, the Baltic Air Freight Index, which shows the weekly transactional rates for general cargo, saw a -8.7% decline on the back of additional belly capacity and softening cargo demand which was partly fueled by inflationary pressures. Moving forward, we expect to see cargo yield to further moderate in the 2HCY22 as passenger transport demand gradually kicks into high gear particularly in key Asian markets.

Key events to look forward to. Among the key events to look forward to for the transportation sector are the new operating/concession agreements (OA/CA) between the government and MAHB/Westports. To recap, the new OA may be based on a Regulated Asset Base (RAB) model which would guarantee the airport operator with a set return on investments (ROI) made into their network of airports. The management expects the new OA to be tabled to the cabinet soon following their recent meeting with the Minister of Transport and Executive Chairman of the Malaysian Aviation Commission (MAVCOM) last month. As for Westports, the long-awaited CA for Westports 2 has yet to be secured as negotiations between the company and the authorities are reportedly still ongoing. Based on management's guidance, it is expected to be finalised by end-CY22, though we are not discounting any further delays as the timeline has been postponed several times.

Maintain NEUTRAL. Overall, we remain NEUTRAL on the transportation sector as we continue to assess the potential headwinds that could hinder the sector's recovery. Among the key upside risks are: (i) full reopening of borders by East Asian countries, (ii) Westports/MAHB securing favourable terms for the CA/OA, (iii) Capital A no longer being categorised as a PN17 company and (iv) further easing of China's zero-covid policy. Key downside risks include: (i) continued uptrend in Brent crude oil prices and (ii) worsening of the global Covid-19 situation which would further disrupt the supply chain. For the aviation sector, **MAHB (NEUTRAL, RM6.70)** is poised to greatly benefit from reopening of borders as international passengers generate higher yields. Despite the lack of near-term catalysts, pending the finalisation of the CA, we have a BUY recommendation on **Westports (BUY, RM4.45)**, underpinned by the resiliency in its earnings and potential earnings recovery in CY23 on the back of higher throughput volume and lower taxes. Westports' share price fell by almost -5% in mid-May following its removal from the MSCI Malaysia Index. As for the logistics sector, our top pick is **Swift (BUY, RM1.18)** as it dominates the container haulage segment across Peninsular Malaysia, and its businesses are insulated from the volatility of freight rates.

APPENDIX Table i: MIDF RESEARCH STOCK UNIVERSE as at 27 June 2022

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER		
					FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F
CONSTRUCTION																
Cahya Mata Sarawak	Dec	BUY	1.00	1.37	194.8	204.2	205.6	18.2	19.1	19.1	22.3	4.8	0.4	5.5	5.2	5.2
Gabungan AQRS	Dec	BUY	0.32	0.56	-54.3	15.7	36.6	-11.0	3.0	6.7	-248.4	-126.9	127.8	n.a.	10.6	4.7
Gamuda	Jul	BUY	3.39	4.02	376.5	588.3	651.8	15.1	23.4	25.5	-46.7	54.7	9.0	22.4	14.5	13.3
IJM Corp	Mar	BUY	1.72	2.18	250.6	431.7	382.8	6.9	11.9	10.8	-40.2	72.4	-8.9	24.9	14.4	15.9
KKB Engineering	Dec	BUY	1.40	1.50	17.7	26.0	24.8	6.9	10.1	8.6	-62.9	46.6	-14.8	20.4	13.9	16.3
MRCB	Dec	BUY	0.35	0.44	-177.4	15.8	75.5	-4.0	0.4	1.7	-844.4	-109.0	369.4	n.a.	97.2	20.7
Muhibbah	Dec	BUY	0.50	0.67	-123.0	-3.4	53.5	-24.7	-0.7	7.4	-451.9	-97.2	-1,166.6	n.a.	n.a.	6.8
Pintaras Jaya	Jun	BUY	2.25	3.14	31.7	64.1	54.7	19.1	38.7	33.0	21.7	102.6	-14.8	11.8	5.8	6.8
Sunway Construction	Dec	BUY	1.49	1.87	72.8	112.6	124.2	5.6	8.7	9.6	-43.7	54.8	10.3	26.4	17.1	15.5
WCT	Dec	BUY	0.46	0.86	-213.6	97.2	86.7	-15.1	6.9	6.1	690.1	-145.7	-11.3	n.a.	6.6	7.4
CONGLOMERATE																
YTL Corp	Jun	BUY	0.59	0.79	-189.2	-367.7	68.8	-1.7	-3.4	0.6	-177.1	96.5	-118.6	n.a.	n.a.	93.2
TELECOMMUNICATIONS																
Axiata	Dec	BUY	2.74	4.90	365.2	818.9	1,101.0	4.0	8.9	12.0	-75.0	122.5	34.8	68.5	30.8	22.8
DiGi	Dec	NEUTRAL	3.21	3.80	1,221.0	1,162.1	1,152.3	15.7	14.9	14.8	-14.7	-5.1	-0.5	20.4	21.5	21.7
Maxis	Dec	NEUTRAL	3.21	4.05	1,382.0	1,308.0	1,285.0	17.7	16.7	16.4	-8.3	-5.6	-1.7	18.1	19.2	19.6
Telekom Malaysia	Dec	BUY	5.19	6.91	1,016.0	895.2	1,089.5	27.0	23.7	28.9	60.7	-12.2	21.8	19.2	21.9	18.0
MEDIA																
Astro	Jan	BUY	0.92	1.06	655.3	539.8	575.8	13.0	10.0	11.0	44.4	-23.1	10.4	7.0	9.2	8.3
Media Prima	Dec	BUY	0.41	0.82	-18.4	55.2	48.0	-1.7	5.0	4.3	-89.6	-400.0	-13.1	n.a.	8.2	9.5
Star	Dec	BUY	0.30	0.36	-19.7	-132.4	7.5	-2.7	-18.3	1.0	-451.9	573.8	-105.7	n.a.	n.a.	28.5
TECHNOLOGY																
D & O Green Tech	Dec	BUY	4.02	4.48	47.2	104.9	147.2	4.2	8.8	11.9	48.9	112.0	34.6	96.4	45.5	33.8
Globetronics	Dec	BUY	1.23	2.00	50.8	52.9	58.5	7.6	7.9	8.7	13.6	4.2	10.5	16.2	15.5	14.1
Inari Amertron	Jun	BUY	2.67	3.65	155.8	330.5	416.9	4.9	10.0	11.2	-20.0	106.4	12.3	55.1	26.7	23.7
My E.G.	Dec	BUY	0.90	1.25	268.7	315.9	432.4	3.8	4.4	5.9	9.8	15.8	33.1	23.6	20.3	15.3
Unisem	Dec	BUY	2.41	4.33	142.8	197.8	254.5	9.8	12.3	15.8	-1,578.8	26.2	28.1	24.7	19.6	15.3
PLANTATION																
FGV	Dec	BUY	1.53	2.60	146.2	1,167.9	413.0	4.0	32.0	11.3	-159.7	700.3	-64.6	38.3	4.8	13.5
Genting Plant	Dec	NEUTRAL	6.48	10.10	254.4	432.2	411.4	28.4	48.2	45.9	70.6	69.9	-4.8	22.9	13.5	14.1
IOI Corp	Jun	BUY	3.78	6.00	600.9	1,394.3	1,105.8	9.6	22.3	17.8	-4.8	132.6	-20.0	39.5	17.0	21.2
KL Kepong	Sep	BUY	22.36	31.50	772.6	2,257.6	1,811.5	72.0	209.3	168.0	24.1	190.7	-19.7	31.1	10.7	13.3
PPB Group	Dec	BUY	15.00	22.00	1,317.0	1,496.1	1,520.3	92.6	105.2	106.9	14.3	13.6	1.6	16.2	14.3	14.0
Sime Darby Plantation	Dec	BUY	4.30	6.30	1,184.6	2,257.3	1,721.5	17.2	32.6	24.9	-693.1	89.5	-23.6	25.0	13.2	17.3
TSH Resources	Dec	BUY	1.11	1.90	79.5	169.4	119.4	5.8	12.3	8.7	79.4	113.0	-29.5	19.3	9.0	12.8
GLOVE																
Hartalega	Mar	NEUTRAL	2.75	4.31*	433.6	2,885.5	755.8	12.9	84.4	22.1	-5.9	555.5	-73.8	21.4	3.3	12.4
Kossan	Dec	NEUTRAL	1.27	1.66*	1,086.7	2,853.6	385.2	42.5	111.8	15.1	383.4	163.2	-86.5	3.0	1.1	8.4
Supermax	Jun	NEUTRAL	0.85	1.09*	524.8	3,816.7	696.8	19.0	142.3	26.1	334.0	648.5	-81.6	4.4	0.6	3.2
Top Glove	Aug	NEUTRAL	1.04	1.29*	1,752.6	7,710.3	504.3	22.5	95.9	6.3	373.3	325.7	-93.4	4.6	1.1	16.5
HEALTHCARE																
IHH Healthcare	Dec	BUY	6.48	7.96	199.0	1,774.2	1,688.7	2.3	20.2	19.2	-57.0	789.9	-5.0	285.5	32.1	33.8
KPJ	Dec	BUY	0.84	1.14	110.4	51.0	88.8	2.6	1.2	2.0	-47.9	-53.9	71.8	32.6	70.6	41.1
Pharmaniaga	Dec	BUY	0.60	0.91	27.5	172.2	167.8	2.1	13.2	12.8	-118.4	526.2	-2.6	28.6	4.6	4.7
CONSUMER (F&B, Retail)																
AEON Co.	Dec	BUY	1.37	1.79	41.4	85.3	112.2	3.0	6.1	8.0	-62.1	105.8	31.7	46.4	22.6	17.1
Asia File	Dec	BUY	1.81	2.37	36.9	46.6	43.4	18.9	23.9	22.3	-22.8	26.5	-6.9	9.6	7.6	8.1
F&N	Sep	BUY	20.58	30.91	410.4	395.2	423.7	111.9	107.8	115.5	0.0	-3.7	7.2	18.4	19.1	17.8
Leong Hup	Dec	NEUTRAL	0.53	0.47	113.1	85.4	117.6	3.1	2.3	3.2	-26.7	-24.5	37.7	16.9	22.4	16.3
MSM	Dec	BUY	0.90	1.38	-71.2	125.4	130.0	-10.1	17.8	18.5	-76.2	-276.0	3.7	n.a.	5.0	4.9
Nestle	Dec	NEUTRAL	133.50	141.50	552.7	569.8	695.3	236.0	243.0	296.5	-17.8	3.0	22.0	56.6	54.9	45.0
Padini	Jun	NEUTRAL	3.18	3.00	75.2	54.1	104.9	11.4	8.2	15.9	-53.0	-28.1	94.0	27.8	38.7	19.9
Panasonic	Mar	SELL	26.70	23.28	117.0	116.5	58.4	193.0	192.0	96.1	10.9	-0.5	-49.9	13.8	13.9	27.8
QL Resources	Mar	BUY	5.21	5.54	239.4	311.9	228.1	9.8	13.0	9.4	13.5	32.1	-27.9	52.9	40.1	55.6
Spritzer	Dec	BUY	1.89	2.57	35.7	24.2	28.8	17.0	11.5	13.7	14.1	-32.0	18.9	11.1	16.4	13.8
INDUSTRIAL PRODUCT																
Scientex Packaging	Jul	BUY	2.31	2.83	47.7	47.0	43.8	14.6	14.4	12.5	n.a.	-1.3	-13.1	15.9	16.1	18.5
P.I.E. Industrial	Dec	BUY	3.17	3.45	45.6	60.3	69.9	11.9	15.7	18.2	24.7	32.4	15.9	26.7	20.2	17.4
Superlon	Apr	BUY	0.69	1.02	8.6	13.2	6.4	5.4	8.3	4.0	-16.2	52.9	-51.4	12.7	8.3	17.1
SERVICES																
Scicom	Jun	BUY	1.04	1.30	22.1	25.8	31.6	6.2	7.3	8.9	9.0	17.1	22.5	16.8	14.3	11.7
BANKING																
Affin Bank	Dec	BUY	1.86	2.53	230.3	526.9	551.0	11.4	25.0	25.9	-53.7	119.3	3.8	16.3	7.4	7.2
Alliance Bank	Mar	NEUTRAL	3.22	3.72	424.3	358.8	679.0	27.4	23.2	43.9	-21.0	-15.3	89.1	11.8	13.9	7.3
AMMB	Mar	BUY	3.74	4.07	1,340.7	-3,826.5	1,588.0	44.6	-127.2	48.0	-10.8	-385.0	-137.7	8.4	n.a.	7.8
Bank Islam	Dec	BUY	2.68	3.69	565.0	534.3	518.0	22.2	25.7	24.0	-11.2	16.0	-6.6	12.1	10.4	11.2
CIMB	Dec	BUY	4.92	6.14	1,194.4	4,295.3	4,661.0	12.0	42.9	44.5	-74.4	256.0	3.8	40.9	11.5	11.1
Hong Leong Bank	Jun	BUY	20.48	23.55	2,494.6	2,860.6	3,210.0	121.9	139.7	148.1	-6.4	14.6	6.0	16.8	14.7	13.8
Hong Leong Financial	Jun	BUY	18.52	23.16	1,857.5	2,265.3	2,425.0	163.6	199.8	211.7	-2.5	22.1	6.0	11.3	9.3	8.7
Malayan Banking	Dec	BUY	8.58	9.52	6,481.2	8,096.2	9,298.0	57.7	69.7	77.7	-21.5	20.8	11.4	14.9	12.3	11.0
Public Bank	Dec	BUY	4.44	5.67	4,871.7	5,656.5	5,869.0	25.1	29.1	30.2	-11.6	16.1	3.8	17.7	15.2	14.7
RHB Bank	Dec	BUY	5.71	7.13	2,032.5	2,618.4	2,962.0	50.7	64.7	70.3	-18.1	27.6	8.7	11.3	8.8	8.1

Note: * = Under review
Source: Company, MIDFR

DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21							High (RM)	Low (RM)
3.0	2.0	3.0	3.0	2.0	3.0	0.35	2.87	25.49	4.21	6.32	1,074.2	1,074.2	1.51	0.95
0.0	0.0	1.0	0.0	0.0	3.2	0.35	0.90	4.74	1.12	3.25	542.8	171.0	0.60	0.29
6.0	0.0	9.0	1.8	0.0	2.7	0.91	3.71	16.73	3.19	6.18	2,553.9	8,657.8	3.75	2.60
3.0	6.0	6.0	1.7	1.0	3.5	0.63	2.73	9.79	2.05	3.77	3,528.2	6,068.4	1.92	1.39
4.0	5.0	5.0	2.9	3.6	3.6	1.00	1.40	6.65	5.04	5.92	288.7	404.2	1.58	1.28
1.0	1.0	2.0	2.9	2.9	5.7	0.35	1.01	1.09	0.17	0.35	4,467.5	1,563.6	0.43	0.33
2.4	0.0	2.5	4.9	0.0	5.0	0.22	2.29	-0.34	-0.10	-0.21	727.0	363.5	1.00	0.49
16.0	10.0	20.0	7.1	4.4	8.9	0.97	2.33	17.31	11.32	17.23	165.9	373.2	3.08	2.22
3.5	5.3	4.0	2.3	3.5	2.7	2.62	0.57	6.51	6.04	15.71	1,289.4	1,921.1	1.74	1.44
0.8	0.5	0.0	1.7	1.1	0.0	0.21	2.15	5.76	1.18	2.59	1,417.2	644.8	0.71	0.42
3.9	2.5	0.5	6.6	4.3	0.9	0.51	1.15	-2.14	-0.50	-2.25	10,964.1	6,414.0	0.68	0.50
7.0	9.5	8.0	2.6	3.5	2.9	1.49	1.84	3.16	1.13	3.27	9,176.8	25,144.4	4.19	2.70
15.6	14.6	14.7	4.9	4.5	4.6	44.12	0.07	18.34	14.82	183.64	7,775.0	24,957.8	4.50	3.10
16.0	17.0	18.0	5.0	5.3	5.6	3.78	0.85	14.21	5.83	19.45	7,826.3	25,122.3	4.84	3.16
14.3	13.0	16.3	2.8	2.5	3.1	2.57	2.02	7.76	3.92	12.22	3,773.7	19,585.5	6.17	4.68
7.5	8.0	9.0	8.2	8.7	9.8	4.06	0.23	12.93	10.14	44.85	5,214.5	4,771.3	1.22	0.92
0.0	1.5	0.0	0.0	3.7	0.0	0.73	0.56	4.93	3.92	8.84	1,109.2	454.8	0.67	0.39
0.0	0.0	1.0	0.0	0.0	3.4	0.33	0.90	-70.74	-17.36	-20.51	724.8	213.8	0.39	0.29
130.0	150.0	2.5	32.3	37.3	0.6	8.79	0.46	12.39	8.13	12.88	1,237.1	4,973.3	6.15	3.22
3.0	4.0	8.5	2.4	3.3	6.9	2.84	0.43	25.70	15.81	17.59	669.4	823.4	2.30	1.15
4.4	9.2	12.2	1.6	3.4	4.6	4.00	0.67	23.13	18.16	23.99	3,707.7	9,899.5	4.30	2.48
1.3	2.0	1.7	1.4	2.2	1.9	4.08	0.22	43.77	16.77	20.50	7,385.5	6,610.0	1.15	0.78
3.0	6.0	10.0	1.2	2.5	4.1	1.77	1.36	12.61	7.11	9.13	1,613.1	3,887.5	4.70	2.15
3.0	8.0	5.0	2.0	5.2	3.3	1.01	1.51	5.97	6.50	16.25	3,648.2	5,581.7	2.12	1.30
10.0	15.0	30.0	1.5	2.3	4.6	1.14	5.69	13.81	4.93	8.16	897.2	5,813.8	9.48	6.26
8.0	10.5	9.0	2.1	2.8	2.4	2.26	1.67	12.39	7.90	13.52	6,213.0	23,485.0	4.76	3.54
50.0	55.0	50.0	2.2	2.5	2.2	1.82	12.28	11.34	8.04	15.89	1,078.2	24,107.6	29.80	18.52
30.0	35.0	35.0	2.0	2.3	2.3	0.86	17.37	30.96	5.46	5.94	1,422.6	21,339.0	18.72	14.90
8.0	20.3	11.0	1.9	4.7	2.6	1.73	2.49	12.08	7.44	12.64	6,915.7	29,737.6	5.46	3.27
1.5	3.0	3.0	1.4	2.7	2.7	0.88	1.26	14.25	5.12	9.34	1,380.2	1,532.0	1.89	0.98
7.8	51.0	13.3	2.8	18.5	4.8	1.83	1.50	36.58	45.46	56.08	3,417.5	9,398.0	7.92	2.57
14.0	48.0	5.3	11.0	37.8	4.2	0.79	1.62	43.03	56.18	70.28	2,551.6	3,240.6	3.57	1.21
0.0	3.7	10.6	0.0	4.4	12.5	0.47	1.81	53.27	51.62	77.98	2,664.9	2,251.8	3.48	0.83
7.5	65.1	3.1	7.2	62.6	3.0	1.22	0.85	47.12	78.82	106.79	8,007.2	8,327.5	4.33	0.95
4.0	6.0	6.0	0.6	0.9	0.9	2.55	2.54	10.36	3.90	6.50	8,802.8	57,042.0	7.34	5.47
2.4	0.6	2.5	2.9	0.7	3.0	1.69	0.50	1.94	0.82	2.27	4,343.2	3,648.3	1.30	0.81
2.0	4.3	5.8	3.3	7.2	9.7	1.90	0.32	3.58	7.62	36.59	1,310.0	786.0	1.10	0.59
4.0	3.0	4.0	2.9	2.2	2.9	1.08	1.27	2.35	1.45	4.89	1,404.0	1,923.5	1.69	1.22
7.0	0.0	2.0	3.9	0.0	1.1	0.49	3.68	14.43	6.00	6.50	194.8	352.5	2.84	1.70
60.0	60.0	62.5	2.9	2.9	3.0	2.61	7.88	9.57	10.88	14.02	366.8	7,548.3	28.82	19.24
0.6	0.7	0.0	1.0	1.3	0.0	1.05	0.50	1.19	1.35	3.62	3,650.0	1,916.3	0.71	0.50
0.0	3.0	3.0	0.0	3.3	3.3	0.38	2.40	5.55	4.37	7.32	703.0	632.7	1.80	0.67
232.0	242.0	294.0	1.7	1.8	2.2	56.91	2.35	9.94	19.09	97.79	234.5	31,305.8	140.00	130.50
7.5	2.5	11.5	2.4	0.8	3.6	2.47	1.29	5.25	4.24	6.74	657.9	2,092.2	3.79	2.63
226.0	198.0	94.2	8.5	7.4	3.5	2.12	12.60	13.40	12.69	15.22	60.7	1,621.9	32.98	26.40
3.0	4.5	4.5	0.6	0.9	0.9	5.12	1.02	5.94	6.28	11.51	2,433.7	12,679.4	5.75	4.45
4.5	9.0	4.1	2.4	4.8	2.2	0.87	2.18	7.32	4.34	5.24	210.0	396.8	2.14	1.80
3.0	2.0	5.0	1.3	0.9	2.2	2.53	0.91	7.81	8.97	15.82	350.6	809.9	2.78	2.11
2.4	2.4	5.0	0.8	0.8	1.6	2.27	1.39	5.88	7.30	11.68	384.0	1,217.4	4.25	2.16
3.1	3.2	3.1	4.4	4.6	4.4	0.78	0.89	13.09	7.93	9.70	158.7	109.5	0.94	0.67
5.0	5.5	6.5	4.8	5.3	6.3	3.32	0.31	11.94	15.55	24.13	355.5	369.7	1.33	1.01
0.0	0.0	15.7	0.0	0.0	8.4	0.40	4.71	15.83	0.67	5.30	2,124.1	3,950.8	2.23	1.62
14.2	5.8	21.9	4.4	1.8	6.8	0.78	4.14	14.16	0.58	5.59	1,548.1	4,984.9	3.82	2.32
13.3	0.0	24.1	3.6	0.0	6.4	n.a.	n.a.	-62.51	-2.19	-21.31	3,310.9	12,382.6	3.87	2.80
5.4	10.9	10.6	2.0	4.1	4.0	1.09	2.46	17.76	0.67	8.35	2,155.3	5,776.1	3.40	2.62
4.8	23.0	23.2	1.0	4.7	4.7	0.84	5.85	18.26	0.69	7.15	10,474.3	51,533.3	5.75	4.38
36.0	50.0	54.8	1.8	2.4	2.7	1.44	14.26	37.81	1.21	9.71	2,167.7	44,394.9	21.88	17.82
38.0	40.0	49.2	2.1	2.2	2.7	0.87	21.25	26.86	0.83	6.68	1,145.2	21,209.9	20.38	16.90
52.0	58.0	72.0	6.1	6.8	8.4	1.23	7.00	26.44	0.91	9.14	11,970.0	102,702.7	9.18	7.87
2.6	15.2	15.1	0.6	3.4	3.4	1.80	2.47	30.43	1.22	11.44	19,410.7	86,183.5	4.79	3.88
17.7	40.0	36.6	3.1	7.0	6.4	0.84	6.77	25.42	0.90	9.34	4,212.1	24,051.0	6.31	5.10

Table i: MIDF RESEARCH STOCK UNIVERSE as at 27 June 2022(cont'd)

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER		
					FY20	FY21F	FY22F	FY20	FY21F	FY22F	FY20	FY21F	FY22F	FY20	FY21F	FY22F
FINANCE																
AEON Credit	Feb	NEUTRAL	13.50	15.20	274.4	223.8	389.4	107.5	87.7	152.5	-19.5	-18.4	74.0	12.6	15.4	8.9
Bursa Malaysia	Dec	BUY	6.62	7.45	377.7	355.3	300.6	46.7	43.9	37.1	103.0	-6.0	-15.4	14.2	15.1	17.8
OIL & GAS																
Bumi Armada	Dec	BUY	0.38	0.90	125.6	574.1	589.1	2.1	9.7	10.0	113.0	357.3	2.2	17.6	3.9	3.8
Dialog Group	Jun	BUY	2.13	3.96	630.4	543.1	641.4	11.2	9.6	11.4	17.7	-13.9	18.0	19.1	22.1	18.7
Gas Malaysia	Dec	BUY	3.03	3.46	212.6	249.6	402.4	17.0	19.0	31.3	13.3	11.8	64.9	17.8	15.9	9.7
MMHE	Dec	NEUTRAL	0.38	0.44	-396.8	-270.4	64.4	-24.8	-16.9	4.0	1,058.9	-31.9	-123.8	n.a.	n.a.	9.3
Petronas Chemicals	Dec	BUY	9.20	11.93	1,628.0	7,345.0	8,479.0	20.4	91.8	106.0	-41.9	350.0	15.5	45.1	10.0	8.7
Petronas Dagangan	Dec	BUY	21.06	23.88	276.0	529.8	654.4	27.8	53.3	65.9	-66.7	91.7	23.6	75.8	39.5	32.0
Petronas Gas	Dec	BUY	16.30	17.90	2,009.6	1,988.9	2,109.4	101.6	100.5	106.6	3.9	-1.1	6.1	16.0	16.2	15.3
PROPERTY & REITS																
Al 'Aqar Healthcare REIT	Dec	BUY	1.19	1.42	12.6	73.5	71.0	1.7	10.0	9.6	-83.5	484.2	-3.4	69.6	11.9	12.3
Axis REIT	Dec	BUY	1.91	2.08	142.1	200.4	141.0	9.9	13.8	8.6	-40.6	40.0	-37.7	19.4	13.8	22.2
Eco World	Oct	BUY	0.67	0.80	160.2	182.7	209.0	5.4	6.2	7.1	-21.3	14.2	14.3	12.3	10.8	9.4
IGB REIT	Dec	BUY	1.56	1.72	236.8	200.1	297.0	6.7	5.6	8.3	-25.4	-15.6	47.9	23.5	27.8	18.8
IOI Prop	Jun	BUY	0.97	1.29	455.7	660.2	658.0	8.3	12.0	12.0	-31.1	44.8	-0.3	11.7	8.0	8.1
KLCCP Stapled	Dec	BUY	6.66	7.15	-7.5	126.5	708.0	-0.4	7.0	39.2	-102.1	-1,766.7	460.2	n.a.	95.1	17.0
Mah Sing	Dec	BUY	0.60	0.74	94.3	160.9	159.8	3.9	4.4	6.6	-52.8	12.9	49.9	15.3	13.6	9.0
Pavilion REIT	Dec	BUY	1.32	1.56	46.3	125.2	227.3	1.5	4.1	7.4	-82.4	170.4	81.2	86.8	32.1	17.7
S P Setia	Dec	NEUTRAL	0.71	1.11	-320.7	284.4	275.0	-7.9	7.0	6.8	-189.8	-188.4	-3.4	n.a.	10.1	10.5
Sunway REIT	Dec	BUY	1.46	1.70	120.1	127.6	322.0	3.4	3.1	9.4	-74.1	-8.6	206.3	43.5	47.6	15.5
Sunway	Dec	NEUTRAL	1.66	1.71	357.3	2,664.4	471.0	7.2	45.4	9.6	-50.5	530.7	-78.8	23.1	3.7	17.2
UEM Sunrise	Dec	NEUTRAL	0.31	0.34	-277.3	-213.0	23.4	-5.5	-4.2	0.5	-212.2	-23.6	-111.0	n.a.	n.a.	67.0
UOA Development	Dec	NEUTRAL	1.70	1.62	391.3	222.4	156.6	19.0	10.1	6.7	-9.8	-47.1	-33.0	8.9	16.9	25.3
TRANSPORT																
- Aviation																
Capital A	Dec	NEUTRAL	0.61	0.61	-5,111.7	-2,991.1	-1,858.0	-153.0	-79.0	-44.6	1,527.7	-48.4	-43.5	n.a.	n.a.	n.a.
Malaysia Airports	Dec	NEUTRAL	6.54	6.70	-1,173.9	-823.9	-146.3	-70.8	-49.7	-8.8	-344.8	-29.8	-82.2	n.a.	n.a.	n.a.
-Logistics																
Swift Haulage	Dec	BUY	0.49	1.18	41.6	47.1	58.6	9.5	7.4	6.6	-81.0	-22.0	-11.3	5.1	6.6	7.4
Tasco	Mar	BUY	0.97	1.62	8.9	41.3	75.8	1.1	5.2	9.5	-31.9	364.9	83.6	86.9	18.7	10.2
Tiong Nam	Mar	BUY	0.62	0.75	0.7	11.4	17.5	0.2	2.4	3.4	-148.4	1,513.3	40.7	413.3	25.6	18.2
- Ports																
Westports	Dec	BUY	3.65	4.45	654.5	808.2	645.2	19.2	23.7	18.9	10.7	23.5	-20.2	19.0	15.4	19.3
- Shipping																
MISC	Dec	NEUTRAL	7.06	7.83	-43.1	1,831.3	1,654.9	-1.0	41.0	37.1	-103.1	-4,200.0	-9.6	n.a.	17.2	19.0
TOLL																
LITRAK	Mar	BUY	4.78	5.08	261.9	205.8	273.7	49.4	38.7	50.8	10.4	-21.7	31.3	9.7	12.4	9.4
UTILITIES																
Ranhill Utilities	Dec	BUY	0.41	0.67	37.6	30.6	35.7	3.4	2.6	2.8	-42.4	-23.9	6.1	11.8	15.5	14.6
Tenaga Nasional	Dec	NEUTRAL	8.00	8.45	3,592.7	3,661.8	4,426.3	63.1	64.1	77.3	-20.8	1.6	20.7	12.7	12.5	10.3
YTL Power	Jun	BUY	0.68	0.92	67.6	-146.5	114.1	0.8	-1.8	1.4	-85.8	-321.7	-176.5	81.9	n.a.	48.3
AUTO																
Bermaz Auto	Apr	BUY	1.73	2.20	100.8	133.8	177.1	8.7	11.5	15.2	-61.8	32.7	32.3	19.9	15.0	11.4
MBM	Dec	BUY	3.20	4.05	159.0	171.2	197.5	40.7	43.8	50.5	-28.8	7.6	15.4	7.9	7.3	6.3
Tan Chong	Dec	NEUTRAL	1.15	1.21	-165.6	-15.4	5.8	-25.4	-2.4	0.9	-479.4	-90.7	-137.7	n.a.	n.a.	129.3
UMW Holdings	Dec	BUY	2.98	4.35	274.5	338.1	284.9	23.5	28.9	24.4	-47.6	23.2	-15.7	12.7	10.3	12.2
BUILDING MATERIAL																
- Cement																
Malayan Cement	Jun	BUY	2.22	3.00	-165.7	7.3	113.4	-19.5	0.9	8.7	-48.1	-104.4	918.3	n.a.	261.2	25.6
- Timber																
Ta Ann	Dec	BUY	4.23	6.70	77.7	317.6	184.2	17.6	72.1	41.8	10.6	309.0	-42.0	24.0	5.9	10.1
- Timber																

Source: Company, MIDFR

DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
FY20	FY21F	FY22F	FY20	FY21F	FY22F	FY20							High (RM)	Low (RM)
44.6	23.2	48.6	3.3	1.7	3.6	1.72	7.84	13.12	2.21	10.17	255.3	3,446.7	16.44	11.56
26.0	34.0	37.0	3.9	5.1	5.6	7.17	0.92	47.26	8.18	43.48	809.3	5,357.6	8.03	6.15
0.0	0.0	1.0	0.0	0.0	2.7	0.51	0.73	26.55	4.76	14.64	5,918.0	2,219.3	0.58	0.37
3.1	3.1	4.0	1.5	1.5	1.9	2.20	0.97	33.74	6.81	10.45	5,642.6	12,018.7	3.06	1.98
15.1	17.7	20.7	5.0	5.8	6.8	3.68	0.82	4.27	8.70	22.09	1,284.0	3,890.5	3.30	2.61
0.0	0.0	0.0	0.0	0.0	0.0	0.35	1.07	-18.43	-7.98	-15.84	1,600.0	600.0	0.51	0.34
12.0	30.0	39.0	1.3	3.3	4.2	2.09	4.41	31.90	15.76	20.67	8,000.0	73,600.0	11.08	7.71
38.0	70.0	52.5	1.8	3.3	2.5	3.84	5.48	2.35	5.52	9.43	993.5	20,922.1	22.56	18.26
127.0	72.0	133.3	7.8	4.4	8.2	2.50	6.51	35.21	10.37	14.91	1,978.7	32,253.3	17.89	15.15
6.8	7.8	8.2	5.7	6.6	6.9	0.92	1.29	64.18	4.42	7.78	736.0	875.8	1.30	1.09
8.8	2.4	8.6	4.6	1.3	4.5	1.23	1.55	81.12	5.22	7.93	1,641.1	3,134.4	2.00	1.79
0.0	2.0	4.0	0.0	3.0	6.0	0.41	1.62	8.95	1.87	3.83	2,944.4	1,972.7	1.25	0.62
6.8	6.0	7.7	4.3	3.9	5.0	1.47	1.06	50.10	3.82	5.26	3,579.4	5,583.9	1.72	1.36
1.5	2.0	3.0	1.6	2.1	3.1	0.27	3.64	26.53	1.97	3.35	5,506.1	5,313.4	1.33	0.95
30.0	33.6	34.0	4.5	5.0	5.1	2.43	2.74	10.80	0.70	0.84	1,805.3	12,023.5	6.95	6.30
1.7	2.7	3.0	2.8	4.5	5.0	0.41	1.45	9.17	2.28	3.89	2,427.7	1,444.5	0.88	0.56
4.1	4.4	6.9	3.1	3.3	5.3	1.05	1.26	25.63	2.01	3.25	3,052.8	4,029.7	1.44	1.19
0.0	0.7	0.7	0.0	0.9	1.0	0.24	2.95	7.56	0.91	1.82	4,068.1	2,888.4	1.72	0.66
4.1	4.4	7.9	2.8	3.0	5.4	0.91	1.60	27.01	1.39	2.33	3,424.8	5,000.2	1.58	1.32
1.5	1.5	3.0	0.9	0.9	1.8	0.86	1.93	71.68	10.62	20.30	4,889.1	8,115.9	1.85	1.59
0.0	0.0	0.0	0.0	0.0	0.0	0.23	1.33	-17.99	-1.64	-3.13	5,058.5	1,568.1	0.43	0.30
14.0	10.0	10.0	8.2	5.9	5.9	0.70	2.43	40.63	3.47	3.83	2,326.5	3,955.0	1.92	1.54
0.0	0.0	0.0	0.0	0.0	0.0	-0.63	-0.97	-162.90	-14.93	46.57	4,161.8	2,538.7	1.33	0.54
0.0	0.0	0.0	0.0	0.0	0.0	1.77	3.70	-49.25	-4.09	-11.36	1,659.2	10,851.1	7.08	5.51
0.0	1.8	2.0	0.0	3.7	4.1	0.69	0.71	8.01	3.23	7.42	888.8	435.5	1.13	0.44
1.1	0.0	0.0	1.2	0.0	0.0	1.49	0.65	2.79	3.01	7.06	800.0	772.0	1.42	0.91
0.0	0.0	0.0	0.0	0.0	0.0	0.40	1.54	1.64	0.54	1.42	514.0	318.7	0.98	0.62
11.5	17.8	0.1	3.2	4.9	0.0	4.20	0.87	39.97	14.92	25.85	3,410.0	12,446.5	4.74	3.38
33.0	33.0	0.0	4.7	4.7	0.0	0.91	7.79	17.16	3.18	5.24	4,463.7	31,514.0	7.92	6.33
25.0	20.0	0.3	5.2	4.2	0.1	2.12	2.26	51.32	11.13	16.96	539.3	2,577.9	4.93	3.55
0.8	0.7	1.9	2.0	1.8	4.7	0.76	0.53	2.00	0.93	3.56	1,289.0	522.1	0.72	0.39
80.0	40.0	31.4	10.0	5.0	3.9	0.81	9.88	6.96	2.01	6.27	5,726.1	45,808.7	10.56	7.93
0.0	2.5	0.7	0.0	3.7	1.0	0.39	1.73	-1.36	-0.28	-1.14	8,102.2	5,509.5	0.84	0.57
18.0	3.3	7.6	10.4	1.9	4.4	3.17	0.55	5.76	8.65	19.42	1,162.2	2,010.6	1.88	1.46
0.0	20.0	20.2	0.0	6.3	6.3	0.64	4.99	11.20	7.25	7.82	390.9	1,250.8	3.39	2.92
3.5	0.0	1.5	3.0	0.0	1.3	0.27	4.25	-0.61	-0.31	-0.56	652.1	749.9	1.22	1.01
4.0	5.8	4.9	1.3	1.9	1.6	0.85	3.52	3.06	2.78	5.00	1,168.3	3,481.5	3.48	2.85
0.0	0.0	0.0	0.0	0.0	0.0	0.73	3.04	0.53	0.19	0.29	1,310.2	2,908.6	3.20	1.97
5.0	30.0	10.0	1.2	7.1	2.4	1.10	3.86	16.77	11.58	17.88	440.5	1,863.2	6.75	2.51

Table ii: Performance of various markets in Local Currency (% change)

In Local Currency	Index point	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22*
Shanghai Composite	3,379.19	-0.9%	4.3%	-0.6%	2.0%	4.8%	-10.6%	3.9%
Hang Seng	22,229.52	4.2%	1.6%	-14.8%	-4.8%	-14.1%	-6.0%	1.1%
Jakarta Composite	7,016.06	0.1%	0.0%	5.0%	4.7%	10.1%	7.4%	-0.8%
Nikkei 225	26,871.27	6.3%	-1.3%	2.3%	-2.2%	4.9%	-3.4%	-3.4%
SET Index	1,580.20	9.5%	0.0%	1.1%	3.2%	14.4%	2.3%	-6.8%
Straits Times	3,137.54	11.3%	-1.1%	-1.4%	1.2%	9.8%	9.1%	-8.0%
Mumbai Sensex 30	53,161.28	3.7%	6.0%	12.7%	-1.5%	22.0%	0.5%	-9.2%
Dow Jones	31,438.26	7.8%	4.6%	-1.9%	7.4%	18.7%	-4.6%	-9.3%
FBM KLCI	1,438.12	-3.3%	-2.6%	0.3%	1.9%	-3.7%	1.3%	-9.4%
Taiwan Weighted	15,548.01	11.5%	8.1%	-4.6%	7.6%	23.7%	-2.9%	-12.1%
KOSPI	2,401.92	6.5%	7.7%	-6.9%	-3.0%	3.6%	-7.4%	-12.9%
Philippines Composite	6,238.82	-9.8%	7.1%	0.7%	2.4%	-0.2%	1.1%	-13.4%

Source: Bloomberg *as at 27th June 2022

Table iii: Performance of various markets in US dollar (% change)

In US Dollar	Index point	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22*
Hang Seng	22,229.52	3.9%	1.7%	-15.0%	-4.9%	-14.6%	-6.4%	0.9%
Shanghai Composite	3,379.19	-1.3%	5.9%	-0.5%	3.4%	7.6%	-10.4%	-1.6%
Jakarta Composite	7,016.06	-3.5%	0.0%	6.8%	5.1%	8.3%	6.8%	-3.8%
Dow Jones	31,438.26	7.8%	4.6%	-1.9%	7.4%	18.7%	-4.6%	-9.3%
Straits Times	3,137.54	9.4%	-1.2%	-2.4%	2.1%	7.7%	8.6%	-10.0%
Mumbai Sensex 30	53,161.28	3.5%	4.3%	12.8%	-1.8%	19.6%	-1.3%	-12.2%
SET Index	1,580.20	5.0%	-2.4%	-3.8%	4.3%	2.8%	2.5%	-12.3%
Nikkei 225	26,871.27	-0.8%	-1.8%	2.0%	-5.4%	-6.0%	-8.4%	-13.3%
FBM KLCI	1,438.12	-6.2%	-2.7%	-0.5%	2.6%	-6.8%	0.0%	-13.4%
Taiwan Weighted	15,548.01	9.9%	10.5%	-4.4%	8.1%	25.5%	-6.1%	-15.1%
KOSPI	2,401.92	2.9%	7.4%	-11.2%	-3.5%	-5.3%	-9.1%	-17.7%
Philippines Composite	6,238.82	-10.7%	6.4%	-3.6%	2.5%	-6.2%	-0.3%	-18.2%

Source: Bloomberg *as at 27th June 2022

APPENDIX

Table iv: Performance by sectors (% change)

	Index point	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22*
Reits	790.05	-0.1%	-2.3%	-0.7%	-1.9%	-5.0%	-0.5%	0.2%
Utilities	821.51	-3.8%	-4.4%	-0.3%	-3.5%	-11.6%	-1.7%	-3.5%
Energy	688.66	3.1%	-14.6%	-5.9%	-5.2%	-21.5%	1.9%	-4.0%
Financial Services	16,015.13	-0.6%	-0.8%	0.7%	2.4%	1.6%	7.8%	-4.6%
Consumer Products & Services	554.57	5.4%	-7.0%	2.2%	-4.7%	-4.5%	0.5%	-4.6%
Transport & Logistics	811.58	1.5%	7.5%	3.3%	-3.9%	8.3%	-0.9%	-4.9%
Construction	152.64	-3.1%	-7.3%	-1.9%	-6.5%	-17.6%	4.8%	-5.3%
Industrial Products & Services	182.88	7.3%	-2.5%	9.6%	-0.7%	13.8%	1.3%	-11.0%
Property	634.73	2.7%	-7.2%	2.8%	-2.2%	-4.2%	1.8%	-11.4%
Plantation	6,922.86	-4.0%	-8.7%	-1.1%	3.5%	-10.3%	21.4%	-13.0%
Telecommunications & Media	552.70	8.6%	-3.8%	-2.6%	-4.2%	-2.5%	0.8%	-14.7%
Technology	64.39	19.6%	-5.6%	20.3%	2.0%	38.6%	-19.9%	-16.8%
Healthcare	1,646.36	-19.1%	-0.2%	-11.7%	-8.3%	-34.6%	-9.3%	-22.3%
FBM KLCI	1,438.12	-3.3%	-2.6%	0.3%	1.9%	-3.7%	1.3%	-9.4%
FBM 100	10,021.03	-1.9%	-3.6%	1.1%	0.2%	-4.2%	0.5%	-9.4%
FBM Emas	10,286.32	-1.3%	-3.9%	1.4%	0.0%	-3.9%	0.7%	-9.7%
FBM Small Cap	14,318.39	7.6%	-7.9%	4.3%	-2.0%	1.3%	3.4%	-12.1%

Source: Bloomberg *as at 27th June 2022

Table v: Regional earnings and valuations

	EPS Growth (% change)					PER				
	2021	2022 (est as of)		2023 (f'cast as of)		2021	2022 (est as of)		2023 (f'cast as of)	
		Mar-22	Jun-22	Mar-22	Mar-22		Mar-22	Jun-22	Mar-22	Jun-22
Nikkei 225	101.2%	-5.2%	1.6%	10.7%	6.6%	15.3	16.7	15.0	15.1	14.1
Taiwan Weighted	75.4%	5.9%	9.5%	1.2%	-0.4%	11.7	12.6	10.7	12.5	10.8
Hang Seng	38.0%	-21.0%	-26.4%	13.2%	14.9%	8.5	10.6	11.5	9.4	10.0
FBM KLCI	**46.7%**	**3.0%**	**-1.0%**	**7.1%**	**11.4%**	**13.8**	**14.8**	**13.9**	**13.8**	**12.5**
Jakarta Comp.	169.6%	32.4%	35.1%	10.3%	7.3%	21.2	16.1	15.7	14.6	14.6
SET Index	146.0%	-1.3%	2.5%	13.0%	9.8%	16.6	18.1	16.2	16.0	14.8
Philippines Comp.	55.9%	22.9%	20.8%	20.0%	21.1%	18.3	17.2	15.2	14.4	12.5
Shanghai Comp.	25.5%	24.8%	18.1%	21.8%	13.6%	13.7	10.6	11.6	8.7	10.2
Straits Times	204.0%	7.4%	9.0%	15.1%	14.9%	13.7	13.8	12.6	12.0	10.9
Mumbai Sensex 30	63.0%	-0.6%	19.4%	18.6%	16.7%	22.8	25.3	19.1	21.3	16.4
DJIA	49.2%	2.3%	2.3%	9.6%	10.3%	16.8	18.1	16.4	16.5	14.9

Source: Bloomberg *as at 27th June 2022

Table vi: Performance of MIDFR's stocks under coverage

OUT-PERFORMERS	Share price (RM)		% change	TP
	27/6/2022	31/3/2022		
LITRAK	4.78	3.91	22.3%	5.08
P.I.E. Industrial	3.17	2.80	13.2%	3.45
Gas Malaysia	3.03	2.71	11.8%	3.46
Telekom Malaysia	5.19	4.89	6.1%	6.91
YTL Power	0.68	0.64	5.8%	0.92
MBM	3.20	3.03	5.5%	4.05
IHH Healthcare	6.48	6.20	4.5%	7.96
Axis REIT	1.91	1.84	4.0%	2.08
QL Resources	5.21	5.02	3.8%	5.54
Sunway REIT	1.46	1.41	3.5%	1.7
IGB REIT	1.56	1.51	3.5%	1.72
Petronas Dagangan	21.06	20.37	3.4%	23.88
IJM Corp	1.72	1.67	3.0%	2.18
KLCCP Stapled	6.66	6.48	2.7%	7.15
AMMB	3.74	3.66	2.2%	4.07
UOA Development	1.70	1.66	2.2%	1.62
Hong Leong Bank	20.48	20.20	1.4%	23.55
Tan Chong	1.15	1.14	1.3%	1.21
Al-'Aqar Healthcare	1.19	1.18	0.8%	1.42
Nestle	133.50	132.58	0.7%	141.5
UEM Sunrise	133.50	132.58	0.7%	0.34
Pavilion REIT	1.32	1.32	0.0%	1.56
RHB Bank	5.71	5.71	-0.1%	7.13
F&N	20.58	20.74	-0.8%	30.91
YTL Corp	0.59	0.59	-0.8%	0.79
Petronas Gas	16.30	16.50	-1.2%	17.9
Affin Bank	1.86	1.89	-1.4%	2.53
IOI Prop	0.97	0.98	-1.5%	1.29
MRCB	0.35	0.36	-1.7%	0.44
Gamuda	3.39	3.46	-2.0%	4.02
Bermaz Auto	1.73	1.77	-2.1%	2.2
MISC	7.06	7.28	-3.0%	7.83
KKB Engineering	1.40	1.45	-3.3%	1.5
MMHE	0.38	0.39	-3.8%	0.44
Superlon	0.69	0.72	-3.9%	1.02
Malayan Banking	8.58	8.94	-4.0%	9.52
Leong Hup	2.82	2.94	-4.0%	0.47
Petronas Chemicals	9.20	9.60	-4.2%	11.93
MSM	0.90	0.94	-4.3%	1.38
Muhibbah	0.50	0.53	-4.8%	0.67
Public Bank	4.44	4.67	-4.9%	5.67
Sunway	1.66	1.75	-5.1%	1.71
Hong Leong Financial	18.52	19.60	-5.5%	23.16
Scientex Packaging	2.31	2.45	-5.7%	2.83
Malaysia Airports	6.54	6.95	-5.9%	6.7
Panasonic	26.70	28.50	-6.3%	23.28
Bursa Malaysia	6.62	7.07	-6.4%	7.45
Padini	3.18	3.40	-6.4%	3
Cahya Mata Sarawak	1.00	1.07	-6.5%	1.37
Spritzer	1.89	2.04	-7.4%	2.57
CIMB	4.92	5.33	-7.7%	6.14
UMW Holdings	2.98	3.23	-7.8%	4.35
Malayan Cement	2.22	2.41	-7.9%	3
IOI Corp	3.78	4.12	-8.3%	6
Bumi Armada	0.38	0.41	-8.5%	0.9
Westports	3.65	4.00	-8.8%	4.45
Bank Islam	2.68	2.95	-9.2%	3.69

Source : MIDF, Bloomberg (as at 27 June 2022)

Table vi: Performance of MIDFR's stocks under coverage (Cont'd)

UNDER-PERFORMERS	Share price (RM)		% change	TP
	27/6/2022	31/3/2022		
Top Glove	1.04	1.92	-45.8%	1.29
S P Setia	0.71	1.26	-43.7%	1.11
Hartalega	2.75	4.81	-42.8%	4.31
TSH Resources	1.11	1.68	-33.9%	1.90
Media Prima	0.41	0.62	-33.8%	0.82
Swift Haulage	0.49	0.74	-33.3%	1.18
Eco World	0.67	0.99	-32.3%	0.80
Kossan	1.27	1.85	-31.2%	1.66
Axiata	2.74	3.79	-27.7%	4.90
Supermax	0.85	1.15	-26.3%	1.09
Genting Plant	6.48	8.51	-23.8%	10.10
Unisem	2.41	3.14	-23.2%	4.33
FGV	1.53	1.98	-22.7%	2.60
Dialog Group	2.13	2.72	-21.8%	3.96
WCT	0.46	0.58	-21.6%	0.86
Gabungan AQRS	0.32	0.40	-20.3%	0.56
Ranhill Utilities	0.41	0.51	-19.8%	0.67
Pharmaniaga	0.60	0.75	-19.6%	0.91
Globetronics	1.23	1.52	-19.1%	2.00
Maxis	3.21	3.88	-17.2%	4.05
Capital A	0.61	0.74	-17.0%	0.61
DiGi	3.21	3.87	-17.0%	3.80
KPJ	0.84	1.01	-16.8%	1.14
Ta Ann	4.23	5.05	-16.2%	6.70
Star	0.30	0.35	-15.7%	0.36
Astro	0.92	1.08	-15.6%	1.06
Scicom	1.04	1.22	-15.0%	1.30
Tiong Nam	0.62	0.73	-14.5%	0.75
Sunway Construction	1.49	1.72	-13.4%	1.87
Mah Sing	0.60	0.68	-12.5%	0.74
Inari Amertron	2.67	3.05	-12.3%	3.65
My E.G.	0.90	1.02	-12.3%	1.25
Pintaras Jaya	2.25	2.56	-12.0%	3.14
Alliance Bank	3.22	3.65	-11.8%	3.72
Tasco	0.97	1.09	-11.7%	1.62
Asia File	1.81	2.05	-11.7%	2.37
AEON Co.	1.37	1.55	-11.5%	1.79
Sime Darby Plantation	4.30	4.85	-11.4%	6.30
KL Kepong	22.36	25.20	-11.3%	31.50
Tenaga Nasional	8.00	9.00	-11.1%	8.45
PPB Group	15.00	16.84	-10.9%	22.00
AEON Credit	13.50	15.12	-10.7%	15.00
D & O Green Tech	4.02	4.49	-10.5%	4.48
FBM KLCI	**1,438.12**	**1,587.36**	**-9.4%**	**1,600.00**

Source : MIDF, Bloomberg (as at 27 June 2022)

YOUR EQUITY CAPITAL MARKET TEAM

Research

Imran Yassin bin Md Yusof ..... imran.yassin@midf.com.my 03-21738395
Head of Research, Non-bank Financials
Syed Muhammed Kifni Syed Kamaruddin ..... smkifni@midf.com.my 03-21738383
Head of Strategy
Abdul Mui'zz Morhalim ..... abdul.muizz@midf.com.my 03-21738393
Economist (Economics)
Muhammad Zafri Bin Zulkeffeli ..... muhammad.zafri@midf.com.my 03-21738384
Economist (Economics)
Hafriz Hezry bin Harihodin ..... hafriz.hezry@midf.com.my 03-21738392
Automotive, Utility (Power)
Jessica Low Jze Tieng ..... jessica.low@midf.com.my 03-21738391
Property, REITs
Samuel Woo Choong Yi ..... samuel.woo@midf.com.my 03-27721669
Banking

Royce Tan Seng Hooi ..... royce.tan@midf.com.my 03-21738461
Intan Diana Binti Fishal ..... intan.diana@midf.com.my 03-21738396
Nur Amirah Binti Amirudin ..... nur.amirah@midf.com.my 03-27721670
Amalia Binti Zarir ..... amalia.zarir@midf.com.my 03-21738390
Muhammad 'Ammar Amsyar Bin Amrus ..... muhammad.ammar@midf.com.my 03-27721668

Share Margin Financing Department

Wan Ahmad Satria (Head) ..... wan.satria@midf.com.my 03-21738728
Henry Gan Yong Beng ..... henry.gan@midf.com.my 03-21738230
Macy, Hee Mei Yee ..... Hee.MY@midf.com.my 03-2772 1664
Danial bin Jafeeri ..... danial.jafeeri@midf.com.my 03-2173 8231
Eliya Farhana Binti Roseli ..... eliya.farhana@midf.com.my 03-2772 1662
Lyana Yasmin Binti Abdul Hamid ..... lyana.yasmin@midf.com.my 03-2772 1691
Nur Ameera Binti Zakaria ..... nur.ameera@midf.com.my 03-2173 8217
Alyssa, Wong Zhi Yen ..... alyssa.wongzy@midf.com.my 03-2173 8217
Darenn, Yong Ming Xian ..... darenn.yong@midf.com.my 03-2173 8272

Dealing

Shan Kamahl Bin Mohammad ..... shan.kamahl@midf.com.my 03-27721652
Zainal Ariffin Yahya ..... zainal.ariffin@midf.com.my 03-21738468
Khairul Anwar Abdullah ..... khairul.anwar@midf.com.my 03-27721643
Zarina binti Yusoff ..... zarinay@midf.com.my 03-21738365
Mohammad Taufiq bin Abdul Jalal ..... taufiq@midf.com.my 03-21738459
Suzana Sultani ..... suzana.sultani@midf.com.my 03-21738445
Ahmad Faizul bin Mohd Sharif ..... ahmad.faizul@midf.com.my 03-21738385
Zuraimi Sanayan ..... zuraimi@midf.com.my 03-21738363
Nur Shamim Hashim ..... nur.shamim@midf.com.my 03-27721644
Hanafi Bin Husin ..... hanafi.husin@midf.com.my 03-27721689
Elmy bin Sharudin ..... elmy.sharudin@midf.com.my 03-21738440
Mat Razi bin Daud ..... mat.razi@midf.com.my 03-21738359
Khairun Adila Khazali ..... khairun.adila@midf.com.my 03-21731655
Nurul' Aqilah binti Md. Noor ..... nurul.aqilah@midf.com.my 03-21738460

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	*Negative* total return is expected to be -10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.



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197501002077 (23878-X)
(Bank Pelaburan)
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Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380